

Dr Kissinger finally wins agreement on Sinai withdrawal

officials initialled the draft
sent with Egypt yesterday, in
sence of Dr Henry Kissinger,
merican Secretary of State.
Dr Kissinger flew to Alexan-

ceremonies in Israel and Egypt

ic Marsden
n, Sept 1
ury Kissinger tonight
Israel officials initial
agreement between
d Egypt which he had
work out in 10 days
and sometimes bitter
Earlier the Cabinet
forced the agreement
ing a report of the all-
sitting between its nego-
s and Dr Kissinger.
is United States Secre-
State, who failed to
agreement in his shuttle
last March, it was a
vindication. After
alling, he flew to Alex-
for a similar ceremony.
n provisions of the
are for a withdrawal
Israel Army, varying
to 25 miles and includ-
of the Gaza and
passages which are
as the key to control
the vacated area will
the new United Nations
zone, except for a small
of Suez, where the
Army will move in.

will also withdraw
is Abu Rudeis oilfields
was coast of Sinai,
with the coastal land to
linking up with the
mal, will come under
administration.
will be joint use of a
nning parallel to the
allow Israel to supply
s in south Sinai.

ides gave pledges to
om the use of force
three years of the
and undertake, to
working towards peace
no mention of negotia-
between Israel and
are, but it is understood
Kissinger has asked Mr
the Prime Minister to
talk with Syria before
of this year.

will be a signing cere-
Jerusalem and Alexan-
obably on Thursday.
rking groups from both
1 meet in Geneva, with
aries of the United
and the two co-chair-
be Geneva Conference,
ed States and Russia.
art. When their task is
d, the Israel and

Egyptian representatives will
sign the full agreement to-
gether.
Implementation is expected
here to take between six to nine
months, but it is understood
that the withdrawal from Abu
Rudeis will begin next month.

The novel feature of the
agreement, which caused much
of the protracted dispute, is
the United States offer to supply
200 civilian technicians to super-
vise two electronic warning
posts in the passes, one con-
trolled by Israel and one by
Egypt, and to man six other
early-warning posts.

The experts will carry side-
arms for self-defence, but will
have no military status. This
proposal, like the rest of the
agreement, will have to be rat-
ified by the United States Con-
gress and is expected to
provoke sharp controversy.

Other points of dispute
which were resolved during the
all-night meeting with Dr
Kissinger resulted in decisions
to increase the number of tanks
allowed in the limited forces
zones on both sides of the buffer
zone from 30 to 75, and the
number of men from 7,000 to
8,000.

The Egyptians had asked for
15,000 men, but President Sadat
apparently agreed to 8,000 dur-
ing a telephone call to Alexan-
dria from Dr Kissinger dur-
ing the meeting in Jerusalem.

During the night four docu-
ments making up the agreement
were completed:

- 1 Military and political agree-
ments between Israel and
Egypt, dealing with lines and
dispositions in Sinai and under-
takings not to have recourse
to force or to resort to block-
ades, and on Egypt's side to
allow Israel's cargoes through
the Suez Canal.
- 2 An annex, with terms of
reference to the working
groups that will meet in Gene-
va to complete the agreement and
arrange its implementation.
- 3 A tripartite agreement be-
tween Israel, the United States
and Egypt, dealing with all
aspects of the American pro-
cess in the zone.
- 4 A memorandum of under-
standing between Israel and
the United States on bilateral
agreements and on the pledge
not to use force made by Egypt
through the United States. Un-

Timor nationalist leaders deny reports of atrocities

From Gerald Stone, of
Australian Consolidated Press
Dili, Timor, Sept 1
The writer has served as a war
correspondent in Korea and Viet-
nam and is one of the first foreign
journalists to enter Timor since
fighting broke out.

We arrived in the Portuguese
Timor capital of Dili not know-
ing who was in control, or
whether anyone was. It was 7 am
on Friday when our 300ft travel-
ler Konpira Maru jostled cau-
tiously to the reef marking the
entrance to Dili harbour.

As we approached, there was
a puff of smoke and flames
spurred up from the western
section of the city, an area pre-
viously held by forces of the
Democratic Union of Timor,
(UDT), a moderate group of
nationalists that favours ties
with Lisbon until the territory
can govern itself.

Occasional bursts of rifle fire
could be heard from all sec-
tions. Then almost from no-
where, a small speed boat
appeared, bearing an Australi-
an flag. Mr Frank Favaro, a
stocky 40-year-old hotelkeeper,
shouted up: "Have you got a
doctor on board? Then, mate,
we really need you."

The soldiers running onto the
dock to help with the lines
were from the Revolutionary
Front for an Independent East
Timor, (Fredlin), the left-wing
faction in the civil war that had
been raging for three weeks.

After 500 years, a new adminis-
tration had taken charge in Dili
and we were the first visitors
to be greeted by it.

Perhaps it should have been
an honour, but at the time it
was rather disconcerting. These
were the groups blamed for
many of the atrocities reported

It was at Dili hospital
that we began to learn
the real cost of the war.
... They had endured
injuries for three or four
days with no painkilling
drugs and only super-
ficial treatment. ...

accusations hotly. The denials
continued up the line to Rogerio
Lobato, Commander of Fredlin
forces, whom we would meet
soon. Certainly in the faces
there was no trace of the blood-
lust so often referred to in press
reports. The soldiers presented
us only with smiles and the
closed-fist salute of a people's
liberation army.

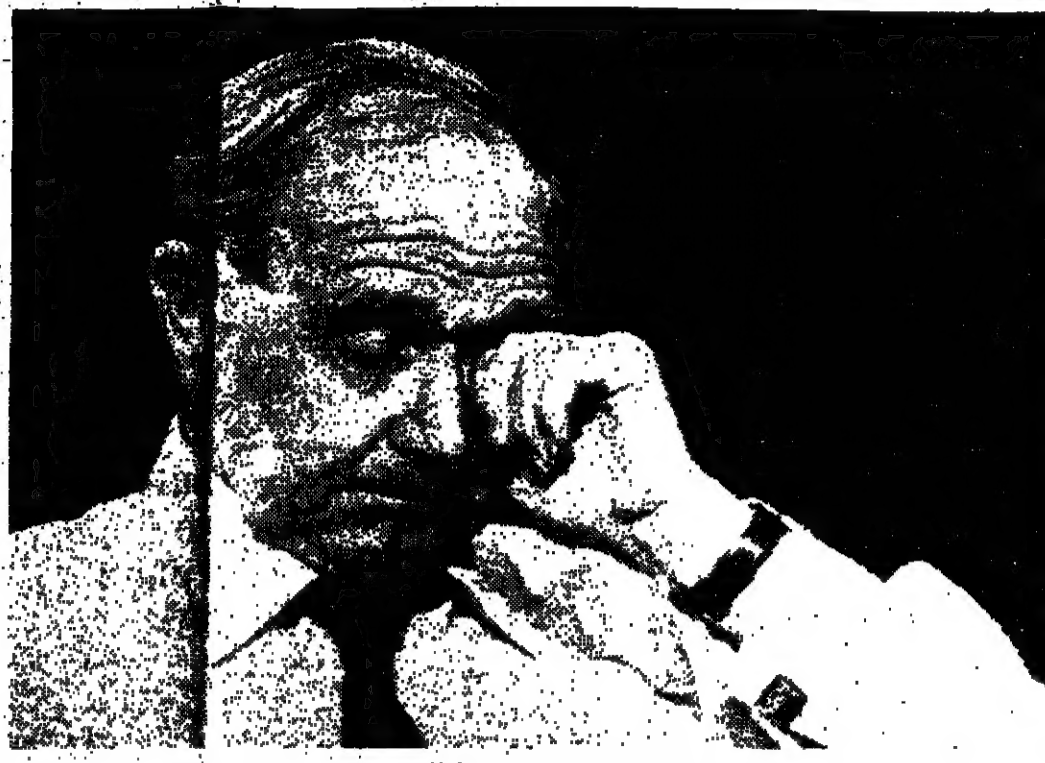
All previous reports of the
fighting had been filtered
through the eyes of frightened
and exhausted evacuees or,
worse, had come dribbling down
from Portuguese, Indonesian
and Australian officials, all of
whom had reason to distrust
Fredlin.

Where the UDT appears to
draw its support from the
better-educated and more com-
fortably situated classes, Fred-
lin has consistently sought its
ideology and symbols from the
people. Politically and militarily
it is structured into various
committees. It classes itself as
a liberation front embracing all
factions, including Roman
Catholics, but its leadership
leans heavily toward Marxist
socialism.

The most dangerous thing I
saw about these young men was
the casual way in which they
handled their weapons. They
swung the rifles in any direc-
tion and rarely with the safety-
catch on.

It was common to find a
soldier walking down the street
who would suddenly point his
rifle in the air and fire off a
few rounds—I suppose for the
 sheer fun of it. There is no
doubt that this was the source
of much of the shooting we
heard throughout our stay.

Yet Fredlin claims to have
Continued on page 5, col 1



A pensive Mr Jack Jones at the Trades Union Congress yesterday.

Unions opposed to £6 pay curb gain more support at TUC

From Paul Routledge
Labour Editor
Blackpool

Mr Clive Jenkins, general
secretary of the Association of
Scientific, Technical and Manu-
facturing Staffs (ASTMS), was
back in the centre of contro-
versy again last night after
refusing a moderate plea to
withdraw a resolution at the
Trades Union Congress con-
ference at Blackpool which
attacks the Government's pay
curbs.

His rejection of an appeal
from Mr Frank Chapple, the
electricians' leader, at a meet-
ing of the TUC General Coun-
cil caused a spike in the union
leaders' ranks over the ASTMS
motion, which opposes any
form of legal intervention in
wage negotiating. The general
council voted by 25 to 10 to
recommend the conference to
reject the resolution.

However, the vote at the
conference will be much closer
than the general council
figures suggest because four
union leaders are understood
to have voted against Mr Jen-
kins, contrary to their deleg-

No reflation before spring, Mr Healey will tell the IMF

From Peter Jay
Washington, Sept 1

There will be no reflationary
measures in Britain before next
spring's Budget at the earliest.
This is the uncompromising
message which Mr Denis
Healey, the Chancellor, has
decided to make the centre-
piece of his speech tomorrow
in the world's finance minis-
ters and central bank govern-
ments gathered here for the
annual meeting of the Inter-
national Monetary Fund.

The speech is intended more
for home consumption than for
the world community, whose
attention is now focused on the
failure of the world recession
measures so far taken.

But the Chancellor's attitude,
which can be seen as his re-
sponse to calls for early stimulus
of the United Kingdom
economy by bodies like the
National Institute of Economic
and Social Research, will be
endorsed by his fellow finance
ministers because Britain's
financial position is seen to be
so weak.

Mr Healey is sticking to his
insistence that any recovery in
Britain must await a substan-
tial cut in the inflation rate and
that the stimulus for recovery must
come from overseas; that is,
from a revival of world demand
and a strong growth of British
exports.

International experts, who
have been revising earlier mid-
summer forecasts, now fear that
the world's recovery will not
come until the middle of next
year at the earliest and even
then it will be weaker than
expected.

This means that the 1.5 mil-
lion United Kingdom unemploy-
ment peak in 1976 expected by
such bodies as the Organisation
for Economic Cooperation and
Development, may have to be
revised upwards, with totals
closer to two million being
feared by the end of next year.

The Chancellor's own assess-
ment is that the threshold of
political tolerance would be
reached when the 1.5 million
point was passed.

But on that basis, domestic
reflation may be postponed until
the summer or autumn of 1976.
Indeed, Mr Healey's first con-
cern when he gets back to the
Treasury will be to make good



at General Mordchai Gur, Israel's Chief of Staff (centre),
watched by Mr Shimon Peres, the Defence Minister (left),
and Mr Simcha Dinitz, Israel's
deputy in Washington.

US 'trade cushion' plan for poorer states

From Fred Emery
Washington, Sept 1

The United States, in an
attempt to avert a clash with
the poorer nations over a new
world economic order, today
proposed a web of incentives
and negotiations to promote a
new "global consensus" on
economic development.

Principal among the proposals
was a huge loan facility to pro-
tect developing countries
against disruptions through
fluctuations in their commodity
export prices.

Described by a high United
States official as a broad new
departure in international rela-
tionships, this facility, within
the International Monetary
Fund, would provide for loans
of up to \$2,500m (about £119m)

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and Administration 01-460 4411. Manchester 061-534 7811/6

Marsh dies hospital

d, Sept 1.—Mrs Caro-
marsh, aged 31, wife of
hard Marsh, chairman
British Railways Board,
died in hospital in
She was fatally in-
crash six days ago.

A Mrs Julia Jacobs,
wife of David Jacobs,
deceased, was killed.
incident happened when
Mrs Jacobs and Mr and
sh were driving in a
at car on the Costa del
Fuengirola. A delivery
shed into the back

Ecuador rebels seize palace in coup attempt

Three days after the coup in neighbouring
Peru, a rebel Ecuadorian regiment laid
siege yesterday to the presidential palace
in Quito, and after a bloody 10-hour battle
seized it. The President, General Guillermo
Rodriguez Lara, absent from the capital
at the time, was said to be heading back
with an armoured column.

Scotland Yard calls on Goliath

The Goliath mechanical device was used
in London for the first time yesterday to
investigate a suspected bomb at Battersea.
Scotland Yard announced intensification of
security at Heathrow airport after an
incident on Sunday when 200 passengers
left a Belfast flight without any identifica-
tion check.

On other pages

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Letters: On the bombings in Britain, from
Mr David Trimble and Mr Alan V. Carr;
the anomaly of index-linked pensions, from
Mr Martin Patterson and others.
Leading articles: The Middle East;
Hooliganism and football.
Features, pages 6 and 12
W. T. Williams described the aims of this
week's conference in London of the Inter-
Parliamentary Union.
Arts, page 7
Paul Ovey on Carl Richards at the Royal
Brighton Academy and other exhibitions at the
Edinburgh Festival.
Sport, pages 8 and 9
Tennis: Rex Bellamy at the United States
championships; Boxing: Prospects for
to defend their titles.
Business News, pages 15-20
Stock market: Gilt improved, but equities
looked uncertain. The FT index lost 4.2 to
323.4.
Financial Editor: Golds are jolted by the
DMF; Wall Street sees reverberations from
Mayday; nationalises lesson from the Haw
P affair.
- | | | | |
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gog seeks nics

announced yesterday
seeking to be host to
Olympic Games. Talks
held between officials
ow City District Coun-
the International Olym-
pic Committee.

w policy and resources
has been asked for
towards a feasibility
re Constance Methven,
of a working party
project, said: "Holding
as in Glasgow would go
way to revitalizing the
our city."

Anti-Goncalves tide

Air Force General Moraes e Silva,
Portugal's Air Force chief, yesterday
joined the rising tide of military opposition
to General Goncalves, the procommunist
former Prime Minister, assuming the
senior military command of the country.
The appointment has already been
denounced by troops in Azores.

Bougainville secedes

The copper-rich island of Bougainville
yesterday declared itself independent of
Papua New Guinea. The secessionists
renamed the island the Republic of North
Solomon and threatened to nationalise the
copper mines.

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tion check.

HOME NEWS

Stiffer penalties to be considered for 'pathological thugs' among football supporters, minister says

By Neville Hodgkinson

Mr. Howell, Minister of State for Sport and Recreation, asked yesterday for full police reports on hooliganism by football supporters last Saturday, when there were more than two hundred arrests, and several trains were damaged. Tougher penalties are to be considered.

British Rail said it was the worst football Saturday in memory. The cost of the damage would run into thousands of pounds.

Mr. Howell will call together his working party on crowd misconduct to consider the reports from police forces.

He spoke of "pathological thugs" who rejected all civilized values. "We have got to show with great determination that we are not giving way one inch to these irresponsible law-breakers," he said.

Mr. Howell said later that he would be meeting government colleagues to see if the right level of sanction was being imposed on the ringleaders. There might be a case for more frequent use of charges such as causing an affray, for which tougher sentences could be imposed in the Crown courts as opposed to magistrates' courts.

He would also like to see closer cooperation between supporters' clubs and football clubs, with trains stewarded by the supporters' clubs and with cheap travel available only to bona-fide members.

He will seek a meeting with Mr. Jenkins, Home Secretary, in about a fortnight, when he will discuss whether different penalties are needed.

The working party issued

instructions to clubs for improving crowd control only three weeks ago. Most clubs have begun to implement those proposals, but the most intractable difficulties are in coping with trouble outside the ground.

Most of Saturday's arrests took place at matches in Luton, Stoke-on-Trent and Glasgow. Singling out individuals when scores of supporters go on the rampage in High Streets or on trains is almost impossible.

However, many have argued that tougher penalties on those who are caught would have an exemplary effect. There have been calls, some of them repeated yesterday, for deterrents such as the birch, the stocks, a national service corps for violent offenders, and jail sentences of years rather than months.

Mr. Howell advocates measures that will keep offenders away from matches, such as Saturday afternoon detention centres and community work.

British Rail said yesterday that it was disgusted by the weekend's events. Midland Region managers will consult with British Transport Police to see whether control over football trains can be improved.

The worst rioting was on a football "special" taking Liverpool supporters home after their team had drawn at Leicester. A £70,000 coach was damaged by a fire started when mailbags taken from Leicester station were set alight.

Three coaches were damaged by Chelsea supporters who joined a train from Derby to St. Pancras at Luton. Seats were thrown on the track, windows

and lavatories smashed, and supporters jumped out after the communication cord had been pulled.

Incidents included an attack on the buffet car of a Manchester to London train by London-based Manchester United supporters.

Two Millwall supporters, both aged 17, were fined £50 in London yesterday after admitting threatening behaviour at Euston station on Saturday night.

The court was told that they and about 300 others gathered at the station to clash with Manchester United supporters, and "ran wild through the station, knocking passengers and children aside", when the police began to make arrests.

Two supporters, one in Birmingham and one in Stoke-on-Trent, were sentenced to three months' detention for threatening behaviour; in Blackpool seven were fined a total of £525 for the same offence. Six other men were remanded on bail to await trial, accused of damaging property.

In Glasgow, a man aged 22 who threw a beer can was sentenced to three months' jail for breach of the peace and assault. Of 42 supporters who appeared at the city sheriff's court, 21 were either remanded on bail to await trial or remanded for reports. The rest were fined sums totalling £1,440.

At Sheffield, fines totalling £585 were imposed on nine supporters for incidents during and after the Sheffield United-Derby County game.

Leading article, page 13

Goliath used on hoax bomb in London

A remote-controlled Goliath device, used to examine suspected bombs in Northern Ireland for several years, went into action for the first time in London yesterday. It investigated what might have been a parcel bomb in Battersea after an anonymous call to the police. The "bomb" turned out to be a hoax.

Scotland Yard said: "An explosives officer of the Metropolitan Police was called. He took the decision, which is his prerogative and his only, to use certain equipment in order to neutralize what he clearly thought might have been an explosive device."

An inquest on Captain Roger Philip Goad, aged 40, of Kestral Road, Basingstoke, the bomb disposal expert killed while examining a terrorist bomb in Kensington on Friday night, was adjourned yesterday until December 3. The adjournment was sought by Commander Roy Baberham, head of the Metropolitan Police bomb squad, who is in charge of inquiries into the recent bomb attacks in London.

Trains were held up for more than two hours at the Portsmouth to Brighton line at Emsworth, when a stolen car suspected of containing a bomb was found abandoned under a railway arch at Lumley Lane, Emsworth. Passengers travelled by bus between Chichester and Havant while an army bomb disposal unit examined the car. No bomb was found.

The search for terrorists who planned the bomb in a public house at Caterham, Surrey, is being held up because as many as 40 young people who were in the public house that night have not come forward. Believing that that may be because of under-age drinking, the police have promised to threaten witnesses in the strictest confidence: "We are not interested if they were drinking under age or not. But we must know what they saw that night," an officer said.

At Radhill General Hospital the last of the most seriously hurt of the bomb victims has been taken off critical lists. Guardsman David Williams, aged 18, who suffered severe lung burns has been moved out of the intensive care unit into a surgical ward and his condition has definitely improved, it was stated.

Mr. Lewis Carter-Jones, Labour MP for Eccles, has expressed concern about the status of off-duty soldiers injured in explosions. In a letter to Mr. Alfred Morris, Parliamentary Under-Secretary for the Disabled, he said: "I am concerned about the differences in benefits arising from death or injury in a war zone situation, compared with death or injury in a situation similar to a public house bombing."

Robert Fisk writes: Less than 24 hours after the authorities at Heathrow had accidentally allowed more than two hundred passengers with decent luggage as a police identification check, Scotland Yard announced intensified security patrols and road blocks.

At present it is possible to walk on to the apron at its western extension without being stopped. In the next few weeks a new system of high wire fencing is to be installed around the perimeter.

Extra troops for trouble-spot after another UDR man is killed

From Our Correspondent

Extra troops are to be sent into south Armagh, where terrorists have killed four men in the past week, it was announced yesterday by Mr. Rees, Secretary of State for Northern Ireland, in a meeting with security chiefs. Special attention is being paid to other areas by the Army and RUC.

It was in south Armagh that two members of the Ulster Defence Regiment were murdered at the weekend. Earlier, two football supporters returning from a match in Dublin were killed.

The latest UDR victim was Mr. Joseph Reid, a Protestant farmer, who was shot in the kitchen of his home near the border. The other UDR victim, Mr. Robert Frazer, aged 50, father of 10 children, was killed by a hooded gunman on Saturday.

An organisation calling itself the South Armagh Republican Force has said it killed Mr. Frazer in retaliation for the football supporters' deaths.

The killing of the UDR men has brought strong reactions from "loyalist" politicians who charge both the Government and members of the Social Democratic and Labour Party in particular. Mr. Seamus Mallon, Convention member for Armagh, with a share of responsibility in them. Mr. Mallon had suggested that UDR members were involved in terrorist activity.

The deaths have also placed a question mark about the future of the talks between

political parties in the Convention. The official Unionists said yesterday: "Instead of progress being made against these thugs and murderers who daily threaten our province, Mr. Rees has with his presidential ceasefire with the IRA is attempting to abate the flames of extreme anger and disgust with a diet of doubletalk, misinterpretation and sheer lies."

"What other part of the world would allow a legally constituted government to treat with such user contempt the responsibility to protect the life, limbs and property of its citizens? How many more British citizens who happen to be in Ulster are to be sacrificed on the altar of political expediency and down-right appeasement to murderous thugs who make Hitler's SS seem tame by comparison?"

"If the policy continues whereby Her Majesty's Government makes agreements with the enemies of the state then the time has come when Mr. Rees must be regarded in the purest sense of the word as a traitor."

The Armagh Vanguard Unionist Association on Tuesday issued a condemnation of the murders of the UDR members, said Mr. Seamus Mallon must bear some responsibility in that without one shred of evidence he laid the blame for previous murders squarely on the shoulders of the UDR, thereby putting all its members into the firing line for reprisal attacks.

Mr. Gerard Pitt, the SDLP's leader, said that despite reser-

vations about certain members of the UDR the attacks on the regiment were vicious and could not be justified.

Sir Robert Lowry, chairman of the Convention, had further meetings with leaders of the UDR and SDLP yesterday. A meeting of the Convention's business committee, which was due to be held today, has been postponed until tomorrow.

SDLP man unrepentant: Mr. Seamus Mallon the SDLP member blamed for the deaths of two UDR members remained unrepentant yesterday (the Press Association reports). He insists that it was his job as a public representative to bring to public notice that members of the UDR were involved in terrorist activities. He added he did not feel implicated in either of the deaths.

More bombs: Two more bombs were found on Sunday night at the Northern Ireland border. One was attached to the IRA last week. In the first raid two bombs were left and later defused at a farmhouse near Newry, Co. Down, owned by Mr. John Fletcher. The device was neutralized.

Assurance on tonight: A company which is selling a special insurance policy by mail order to soldiers in Northern Ireland said yesterday that the equipment could not easily be obtained by IRA terrorists.

IRA in Northern Ireland: IRA men are said to have paid £24 out of their own money to buy the rights, which is advertised for sale by Singlepoint (GB) Ltd, of Fareham, Hampshire, in the Army magazine Soldier.

In brief

Piped music Scots buses

Piped music, with ments every nine deck of 50 Scottish vehicle this month scheme was launched yesterday.

Sailing cen to close dc

The Navy League and canoeing C Thames at Surbiton at the end of this cause of "escalator costs". The centre £300,000, was up years ago by it Edinburgh.

£6 fine sca off drivers

Spot checks by yesterday, when it showed that it seemed to have cars into London.

£200 fine for d

Luppe Rohden, West ship's captain, was with £5 costs as Durham yesterday bringing ashore dog. He admitted the rabies order of

Lord provost

Mr. Charles Far Provost of Dundee, assault charge in-co incident in Park, Dundee, on Procurator Fiscal Dundee said yesterday that he called for the September 11.

Talks on MPs

Four Labour Staffordshire who stop the proposed tract with Roscoe agreement to supply House of Commons Mr. James Dunn, the Commons Cs mittee, tomorrow.

Eric Sykes bar

Eric Sykes, the fined £100, and driving for a ye Magistrates' Court a drink-driving off

Oil cash for Shetland and Orkney

By Our Political Staff

Local councils of Orkney and Shetland have struck bargains with the North Sea oil companies under which the islands will get substantial sums of money, Mr. Grimond, Liberal MP for Orkney and Shetland, told a conference in Oslo yesterday.

"Most of the oil is off Orkney and Shetland and much of it will be brought ashore at Sullom Voe in Shetland," he said. "The phrase 'Scotland's oil' may have to be qualified; why not 'Shetland's oil' or 'Orkney's oil'?"

When the Government brought in its Bill for a Scottish assembly this autumn, he said, North Sea oil would remain under United Kingdom and not Scottish control.

Majority Scottish opinion and even most of the Scottish National Party support had never favoured independence. That party was second to his at the general election, but Shetland council had decided that it did not want to come under a Scottish assembly.

Shot couple named

The man and woman with shotgun wounds, found at Lambourn, Berkshire, on Sunday, were named yesterday as Ronald James Myers, aged 42, and Mary Hiscocks, aged 27.

Doctor wants children to travel in back seats

A senior paedologist yesterday called for a government campaign and possibly new laws to stop children travelling in the front passenger seat of a car.

Even on a mother's lap they ran a "vicious" risk of death or serious injury in an accident. Dr. Bernard Knight, of the Welsh National School of Medicine, said.

In a paper submitted to a London conference on accident medicine, he said there were 30 deaths and 3,000 injuries a year to child front-seat passengers.

"Children are frequently indulged by well meaning, but irresponsible parents, who allow them to be exposed to this unnecessary risk," he commented.

Quite often small children were allowed to stand on the seat and grip the dashboard to look out. In that position they were "completely vulnerable".

Seat belts, although not suited to small children, would help matters. The risk of death was almost 12 times as great for a child in the front passenger seat when not wearing a safety belt.

"It may be desirable that some government publicity be applied to this very hazardous practice comparable to the propaganda now being energetically devoted to the wearing of seat belts," Dr. Knight said.

As with the wearing of crash helmets by motor cyclists, compulsory measures might be considered to control a situation

"which is all the more regrettable for its potential avoidability."

The conference is being held by the International Association for Accident and Traffic Medicine.

Motoring and road-safety organizations later welcomed Dr. Knight's proposals. The Royal Society for the Prevention of Accidents has advocated the same thing for years. In some European countries, it is an offence to carry children in the front seat of cars.

The Automobile Association said: "We feel very strongly that children should travel in the back seat, particularly small children, but we are not suggesting at this stage that it should be made law."

The Royal Automobile Club said: "We would always strongly encourage people not to carry children in the front seats of cars in the interests of safety."

"Restrict elderly drivers": Elderly high risk drivers should be used with special licences to allow them to drive only on country roads in daylight, Dr. Harold Brandelone, an American expert on road accident medicine, told the conference.

He said there should also be compulsory yearly or twice yearly medical checks for all drivers over 60. Those were just two of the ways in which the community could be protected from the dangers of elderly "high risk" drivers.

Boy died in chimney while trying to break into school

Stephen Mark Powell, aged nine, of Yspitry Road, Bynes, died in a chimney while breaking into his school, an inquest at Llanelli was told yesterday.

Mr. John Roberts, the coroner, described him as a resourceful and determined young boy who intended climbing down a circular chimney pipe with an internal diameter of only 11½ inches.

Dr O. G. Williams, a pathologist, said it had not been possible to give the cause of death after the post-mortem examination on the body, which was charred.

Mrs Margaret Yvonne Powell, his mother, said he had no friends. Three days before he disappeared, Mr. Idris John Harries, a social worker, spoke to him. She had asked Mr. Harries to have a word with him

after he had stolen an electric kettle and returned it.

Mrs Powell alleged that Mr. Harries told the boy that if there were any similar incidents he would be taken away to a school and would not see his family again until he was 18.

Mr. Harries said that he told the boy that he would have to go to school regularly and that he must stop taking things from other people. Unless he did that he could be taken away from home.

A verdict of misadventure was recorded on the boy for whom there was a countrywide police search for six weeks after he had disappeared on May 31. His body was found lodged in a pipe leading from the chimney to the central heating boiler in Llanvhenydy primary school on July 25.

The coroner said he did not believe that the boy's interview with Mr. Harries had any effect on the course of events.

Chalfont charge is denied by communists

Mr. Gordon McLennan, general secretary of the Communist Party of Great Britain, yesterday challenged a statement in an article in *The Times* by Lord Chalfont that "some of the training of British cadres (of the Communist Party of Great Britain) is carried out in Eastern Europe."

"A small number of Communist Party members (some selected by the British party and some selected through intelligence channels) are given each year a political indoctrination course which, interestingly enough, includes training in sabotage," Lord Chalfont wrote.

McLennan's statement said: "This statement is false from beginning to end. No British Communist Party members attend political indoctrination courses in Eastern Europe. Nor are British party members trained in sabotage, in the real sense of the word."

The real sabotage of the economy has been organized by successive British governments, including the one of which Lord Chalfont was himself a member before he ended his brief association with the Labour movement. His inventions appear to be aimed at diverting attention from the real wreckers.

Doctor took drugs to help him to cope with his work

From Our Correspondent

An Oxford doctor made out false prescriptions for drugs and used them as stimulants to help him to cope with a heavy workload, Oxford Crown Court was told yesterday.

Mr. Michael Brent, for the prosecution, told Judge Mynett, QC, that there was no evidence that Jeffrey Sherlikar, aged 47, a general practitioner, of the Dale, Bayswater Farm Road, Headington, Oxford, had supplied the drugs to anyone else unlawfully.

Dr. Sherlikar pleaded guilty. He charged, including obtaining by deception from Peter Baldwin Ean, 60 dexadrine tablets on July 31, 1974, 50 dexadrine and 100 epanutin tablets.

On November 16, 1974, 60 dexadrine and 60 epanutin tablets on January 24, 1975 and 50 dexadrine tablets on February 17, 1975.

On others involved four cases of unlawful possession of amphetamine between June 31, 1974, and January 24 this year, failing to keep a register of controlled drugs from January 1 to April 30 this year, and unlawfully destroying amphetamine between May 1 and 31, 1975.

He was fined a total of £500 and ordered to pay £50 costs. Ten other similar offences were taken into consideration.

Mr. Andrew Briggs, the defence, said Dr. Sherlikar had his practice suspended; that it was a most demanding type of medical work.

Gunner guilty of manslaughter

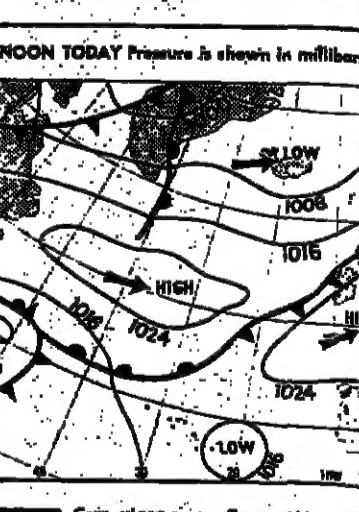
Gunner Rodger Wadsworth, aged 26, of the Royal Artillery, who admitted at London-derry Recorder's Court yesterday the manslaughter of Lance-Corporal Robert Thain, aged 19, of the WRAC, was given a suspended sentence of 12 months' imprisonment.

Corporal Thain was fatally injured in a shooting incident while on duty at an army checkpoint in Londonderry.

Mr. John Jackson, secretary of Slade, is adamant that the printing unions must unite. "There is no way house" he said. "The differences between craft and non-craft printing unions no longer exist."

Leader to retire: Mr. John Bonfield is to retire as secretary of the NGA next year (the Press Association reports).

Weather forecast and recordings



Sun rises: 6.14 am. Sun sets: 7.46 pm. Moon rises: 1.51 am. Moon sets: 5.32 pm. New Moon: September 5. Lightening up: 8.15 pm to 5.45 am. High water: London Bridge, 10.52 am, 5.8m (19.5ft); 11.34 pm, 6.1m (19.9ft). Avonmouth, 4.25 am, 10.4m (34.2ft); 5.0 pm, 11.1m (36.3ft). Dover, 8.44 am, 5.5m (17.9ft); 9.14 pm, 5.7m (18.7ft). Hull, 3.20 am, 5.9m (19.5ft); 4.3 pm, 6.0m (19.7ft). Liverpool, 8.48 am, 7.7m (25.3ft); 9.17 pm, 8.1m (26.6ft).

A ridge of high pressure will cover S. England, while a weak trough will move slowly SE across Scotland.

Area forecasts: London, E. SE, SW, central S and central N. England, East Anglia, Midlands, S. Wales: Dry, sunny periods, fog patches at first; wind light, variable; max temp 21°C (70°F).

Channel Islands: Dry, sunny periods; wind NE, light; max temp 21°C (70°F).

N. Wales, NW and NE England: Dry, fog patches at first, otherwise sunny intervals; wind SW, light; max temp 18°C (64°F).

Lake District, Isle of Man, SW Scotland, Glasgow, central Highlands, Argyll, N. Ireland: Mainly cloudy, occasional light rain or drizzle.

WEATHER REPORTS YESTERDAY: 11.5m; r, rain; s, sun; th, thunder.

drizzle; wind SW, light or moderate; max temp 17°C (63°F). Newcastle, Nottinghamshire, Derbyshire: Cloudy, mainly dry; fog patches; wind S; max temp 19°C (66°F).

York, Fifth, NE and NW Scotland: Cloudy with occasional rain; breeze, perhaps dry and fresh; wind SW, moderate; max temp 15°C (61°F).

Shetland, Orkney, occasional drizzle; perhaps dry and fresher later; wind SW, strong; fresh; max temp 14°C (57°F).

Look for tomorrow and the day after: Mainly dry and warm with sunny spells in S; changeable with occasional rain and temp near 14°C (57°F).

September forecast: The Meteorological Office forecast for September: predominantly warm and dry weather, with a few short cold spells; a few short cold spells; a few short cold spells; a few short cold spells.

Monthly mean temp: 14.5°C (58°F). Monthly mean rain: 45.0 mm (1.77 in).

Overseas selling prices: Australia, 10.0; Canada, 10.0; Hong Kong, 10.0; India, 10.0; Japan, 10.0; New Zealand, 10.0; Singapore, 10.0; South Africa, 10.0; Sweden, 10.0; Switzerland, 10.0; Taiwan, 10.0; Thailand, 10.0; USA, 10.0; West Germany, 10.0; Yugoslavia, 10.0.

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Moves to amalgamate printing unions

By Our Labour Staff

Moves to amalgamate four printing trade unions, which are strongly divided between craft and non-craft workers, are being made at Blackpool this week. It is hoped to get the unions together during the TUC conference to overcome the first main obstacle, which is how to get the National Graphical Association (NGA) back into the TUC.

The TUC is anxious to end the rift between some of the unions, especially in view of

the crisis in the newspaper industry. Two unions are working to get all the printing unions together to consider NGA re-affiliation after its expulsion three years ago for refusing to deregister under the Industrial Relations Act. They are the National Union of Journalists and a craft union, the Society of Lithographic Artists, Designers, Engravers and Process Workers (Slade).

A big stumbling block is the TUC General Council's insistence that the NGA must pay £35,000 in unpaid affiliation

fees since it was expelled, but the Society of Graphical and Allied Trades has now withdrawn its opposition to NGA re-affiliation.

Mr. John Jackson, secretary of Slade, is adamant that the printing unions must unite. "There is no way house" he said. "The differences between craft and non-craft printing unions no longer exist."

Leader to retire: Mr. John Bonfield is to retire as secretary of the NGA next year (the Press Association reports).

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In brief Strathclyde had police technology

Our Correspondent
Geoffrey Phillips, director of Strathclyde police scientific branch, Home Office, London, Glasgow yesterday that Strathclyde was leading Europe in the use of police technology. He was speaking at the official opening of a new £2m headquarters of Strathclyde police force, which covers an area of 5,000 sq miles and 2,500,000 people, half the population of Scotland.

Through the United States, a modern national computer system had nothing to do with the £500,000 computer in Glasgow, he said. The system is the most modern in the world. With the shortage of lower there is a greater scientific development, for any large police force in the world has to have the most modern technology in use.

More than four hundred of Strathclyde's seven thousand men and women work in the building, which also houses the best forensic science laboratory in the country. It has records of 400,000 criminals, 10 photographs and a list of 10,000 of stolen property, Ballantyne said.

Deputy Chief of Police, Mr. David McNea, said that the Strathclyde police force was the most modern in the world in police systems in the United Kingdom.

Consumer group
ingress
Healey, Chancellor of the Exchequer, is to open the first annual Consumer Congress in London on September 19. It will be the first of a series of annual events.

Labour plea for £250m a year on arts
The Arts Council of Great Britain has been asked to increase its budget by £250m a year. The Labour Party has called for a new National Council for Arts and Entertainment, a part-nominated, part-elected body.

Outmoded system blamed for housing discrimination
The report examines housing policy and practice by 10 local authorities in England. It forms the third part of the PEP study of racial discrimination. Earlier publications have dealt with the extent of discrimination and disadvantage in private housing and in employment.

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Jury is told of \$1m cheque robbery

American travellers' cheques worth \$1m (£490,000), which were stolen in transit at Heathrow Airport, London, were offered back to the bank in return for a reward when a gang found the face value of the cheques, \$1,000 each, was too high. It was alleged at the Central Criminal Court yesterday.

Andrew Donaldson, aged 49, plant fitter, of Bradford, Middlesex, was charged with the robbery. He was charged with the robbery of the cheques, \$1,000 each, was too high. It was alleged at the Central Criminal Court yesterday.

Mr Donaldson and John McPadden, aged 35, of Maida Vale, London, deny dishonestly handling the cheques. Mr McPadden also denies dishonestly arranging to assist in their removal.

Mr Roland Fitch, for the prosecution, said the loss of the cheques, destined for a branch of the bank in the Strand, was discovered at the General Post Office in St Martin's Lane, in the City of London. Later a man was arrested in Paris in possession of four of the cheques.

The jury would hear evidence that they would view with "great care" from a police informer, Raymond Curtis, who said that he had been aware that the cheques had been stolen, and that he knew Mr Donaldson and negotiated with him to dispose of them.

A chief security officer of the bank would give evidence of meeting Mr Curtis and agreeing to an £8,000 reward for the return of the cheques still available. Mr Donaldson, it was alleged, told the police he had received £2,000 as his share of the reward. The trial continues today.

'Trotskyist plot' allegation divides party opinion
Allegations of a Trotskyist conspiracy in constituency Labour parties are unlikely to be considered officially until November. The matter is not on the agenda for next week's meeting of the organisation's national executive, the last scheduled before the party conference elects a new executive.

Opinion in the party about the significance of Trotskyist cells is divided. Some members attribute no more than nuisance value to the faction organized around a weekly newspaper, the Militant. Others see their almost complete penetration of the Labour Party as a serious threat to the party's future.

Transport House estimates that there are about a thousand active Trotskyists in the Labour Party. It credits them with control over 10 of the 11 regional organisations of the Young Socialists, which has a print order of 10,000 copies, is Mr Edward Grant. Now in his sixties and described by one party official as the oldest young socialist I have ever seen, he is viewed by party officials as an unlikely candidate for the leadership of a push against the Labour Party.

Labour moderates agreed that the social democratic nature of the party is under threat. But their disagreement about the nature of the threat and the group or groups from which it arises indicate that remedial action in the near future is likely to be piecemeal and fragmented.

Diary, page 12

Reform of rape law 'will not cut acquittals'

By Our Home Affairs Correspondent

The chances of acquittal in rape cases will always be good, the Police Superintendents' Association of England and Wales says in evidence to Mr Justice Heilbrunn's advisory committee on the law of rape. That is inevitable, because rape is often a case of one person's word against another.

No reform of the law can alter that and at the same time retain an adequate balance of justice. However, the association, which comprises all superintendents and chief superintendents in England and Wales, emphasises the importance of the circumstances and the discretion of the trial judge.

To change the law because of one unusual case would ignore many relevant circumstances. The association denies 'that a man accused of rape only has to say that he was not aware that any resistance he met was genuine to secure an acquittal'.

The association says its members all agree that the victim should not be named. However, one branch suggested that, after a verdict of not guilty, the trial judge believed that the woman's evidence had been grossly suspect, then in the interests of justice her name should be stated.

The Rannymede Trust, in another memorandum to the committee, speaks of the particular dangers of publicity given to rape of women in Hindu, Sikh or Muslim communities.

Football stand fire
A fire which yesterday destroyed the central area of the stand at Shrewsbury Stadium, the home of Clyde Football Club and the Shawfield Greyhound Racing Company, is unlikely to affect the club's home fixtures, but tonight's dog racing has been cancelled.

No to political trials

In the dock was Robert Henderson, aged 23, of Imlay Street, South Shields, who had denied using threatening words and behaviour and assaulting a constable during the dispute in January.

Evidence for the prosecution had not finished when Judge Smith, QC, said he would have to adjourn to enable an independent inquiry to take place.

He said: "I have been told something which, if it was true, is rather disturbing. As a result of what I have been told this case will have to be adjourned because there may have been some irregularity."

Local by-election may indicate whether nationalists profit from Labour divisions over devolution Confident SNP plans autumn offensive

From Ronald Faux, Edinburgh

For the Scottish National Party these are uncertain days. It is hard to detect how many of their supporters returning from holiday, anxious about the future, have left their appearance for radical change on the beach.

A party official admitted that the supposedly close season for politics made it difficult to judge how stalwart the new membership would prove if the economic depression deepened in the autumn.

The SNP leadership remained confident, however, that the behaviour of the Labour and Conservative parties in Scotland left the initiative with the SNP, for this has so far been anything but a political close season.

The SNP believes it can only benefit from the splits which appear to be widening in the Labour Party, from the party's attitude towards devolution, and from the division of opinion on the subject among the Tories.

The total opposition to a Scottish assembly voiced by Mr Tam Dalyell, Labour MP for West Lothian, was not helping Labour's commitment to set one up, and the nationalists rejected his arguments as "highly contradictory".

In one breath Mr Dalyell sought to condemn the new regional councils in Scotland as an example of how inflationary and expensive local government upheaval could be, and in the next wanted to hand greater control over Scottish affairs to them, the official said.

The nationalist policy, which has been consistently against a two-tier structure for Scottish local government, is to re-examine the regions through a directly elected Scottish assembly. The SNP prefers to leave local government to the new district councils, cutting out the regional layer, which the party predicted would be "expensive, bureaucratic and unpopular".

How realistic, popular and costly yet another upheaval in the Scottish local government system would be, with an assembly in Edinburgh dictating the destruction of the Strathclyde region centred on Glasgow and containing half the Scottish population, gives yet more pause to the Tories who became nationalists in the past two general elections.

General Conservatives believe the voting pattern of the SNP in Parliament could be an even more significant weapon for them in future campaigns.

They point to a consistent policy among the nationalist members of supporting the left wing of the Labour Party. What better way of driving Tories back to the cause than the threat of a red menace in Scotland, and a notion that without the SNP the Community Land Bill, for one, would have died long ago.

On the other hand, if the SNP is able to carve significantly into Labour's territory in west central Scotland with policies attractive to hard-line socialists, the party could well afford to lose some of the seats won from the Tories and held by a marginal threat.

The nationalists plan their autumn campaign on a broad front. They will attack on employment, inflation and the fall in living standards, using, as ever, the ammunition left by successive Labour and Conservative policies in Scotland.

The next indication of how the SNP is surviving as the second Scottish party in voting terms will come on September 9 with a by-election in the Lothian region, caused by the resignation of the sitting member. The area includes the strongly Labour new town of West Hales.

Traditionally Labour have held the seat easily, with Conservatives in second place. Headway there by the nationalists will be particularly encouraging to them and a warning to the Labour Party that the dissatisfaction from which the Tories have suffered could be turning upon them.

Woman in damaged pitch case gets bail

From Our Correspondent, Leeds

About a hundred George Davis campaigners demonstrated at Leeds Magistrates' Court yesterday when three men alleged to have damaged the Headingley Test ground were refused bail and further remanded in custody.

The woman accused with them was granted bail, after spending eight days in custody. The demonstrators in the public gallery booed, clapped and chanted "fascist".

George Davis, a mimicab driver, was jailed for 20 years on conviction of taking part in an armed robbery.

It was the second appearance of Peter Chappell, aged 34, unemployed, of Wager Street, Bow; Colin Dean, aged 37, of Erhard Road, Peckham; Richard Ramsey, aged 26, of Stratford; and Geraldine Hughes, 33, of Colworth Avenue, Leytonstone, all London. All are accused of conspiring to damage the Headingley Test wicket and boundary wall.

Mr Chappell and Mr Dean are also charged with damaging the pitch. Mrs Hughes and Mr Ramsey are accused of damaging the boundary wall.

The three men were remanded in custody until September 10. Mrs Hughes, an American-born social worker, was bailed in the sum of £100 with a surety of £1,000. She must live at Colworth Avenue and report daily to Limehouse police station. Colonel Lawrence Turnbull, the chairman, ordered her not to interfere with witnesses or demonstrate.

Outside the court, Mrs Rose Davis, wife of George Davis, said: "I am absolutely disgusted" apparently referring to the refusal of bail to three of the defendants.

Picket's trial halted

A judge stopped the trial of a building site picket yesterday and ordered an inquiry to be held overnight into an alleged irregularity. It happened at Newcastle Crown Court, where the first of 10 pickets went on trial.

More than a hundred men had peacefully picketed the court as the case started. They marched about half a mile from the scene of the dispute, the Eldon Square development, carrying banners and placards. One placard read: "No respect of Shrewsbury" and another: "No to political trials".

In the dock was Robert Henderson, aged 23, of Imlay Street, South Shields, who had denied using threatening words and behaviour and assaulting a constable during the dispute in January.

Evidence for the prosecution had not finished when Judge Smith, QC, said he would have to adjourn to enable an independent inquiry to take place.

He said: "I have been told something which, if it was true, is rather disturbing. As a result of what I have been told this case will have to be adjourned because there may have been some irregularity."

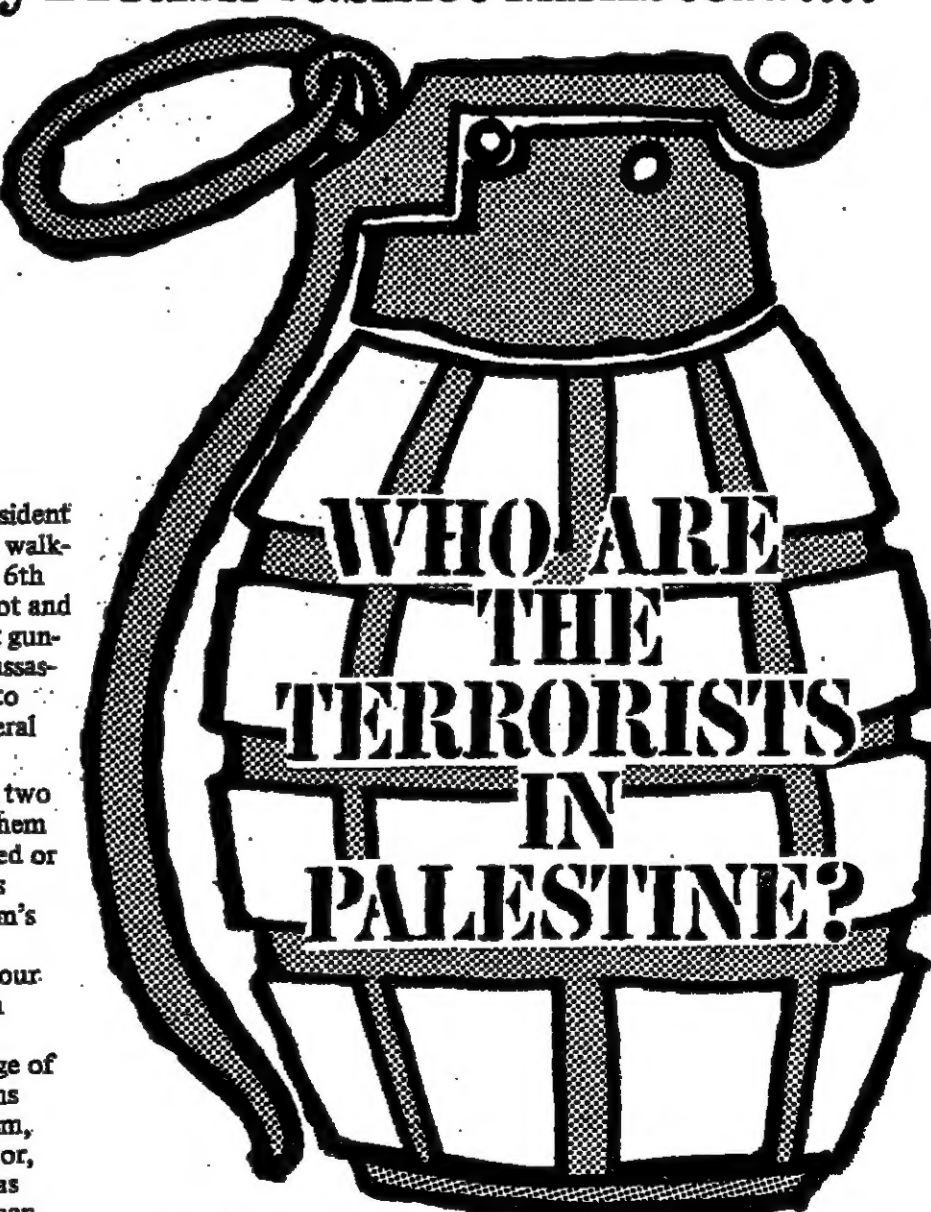
Sunderland bus crash
More than twenty people were injured when two double decker buses collided in Sunderland.

Rent rebels will meet receiver

The Clay Cross rent rebels will today meet the official receiver in Sheffield, Mr Tom Wilks, to discuss their financial affairs.

Last Friday they boycotted a hearing in Chesterfield at which receiving orders were made against them in respect of debts of £63,000 while they were in control of Clay Cross urban council, including rent not collected.

Lord Moyne shot dead in Cairo....Count Folke Bernadotte assassinated in Jerusalem....Arab villages attacked and looted....the King David Hotel bombed....letter bombs received by British Cabinet Ministers....



As Lord Moyne, British Resident Minister in the Middle East walked from his Cairo home on 6th November 1944, he was shot and fatally wounded by Zionist gunmen. A few weeks ago his assassins' bodies were returned to Israel and given a state funeral with full military honours.

Two years later in 1946, two hundred people, many of them British personnel, were killed or wounded when the Zionists planted a bomb in Jerusalem's King David Hotel.

Two hundred and fifty-four Palestinian civilians died on 9th April 1948 when Irgun terrorists attacked the village of Deir Yassin, and five months later in Israeli-held Jerusalem, the United Nations' Mediator, Count Folke Bernadotte was assassinated by Israeli gunmen.

Zionist and Israeli acts of terrorism, excluding all operations by regular military units against military targets, range from assassination to letter bombs, and from placing bombs in cafes, hotels and buses to looting and hanging. The victims have included British and United Nations personnel, as well as thousands of Palestinian Arabs. Many of the men who planned or committed these crimes are today political and military leaders in Israel.

Menachem Beigin - leader of the Irgun, later became an Israeli Member of Parliament and is today the leader of the Opposition Likud Party.

Nathin Yellin Mor - leader of the Stern Gang, was also elected to the Israeli Parliament.

General Dayan, Premier Rabin, Abba Eban and many other leading Israeli politicians served in the Zionist underground, which used sabotage, assassination and terror in its campaign against the British and the Palestinian Arabs.

In their determination to seize Palestine, the Zionist groups first directed their activities against the British. Three years after Lord Moyne's assassination, the Irgun Zvi Leumi blew up the Goldsmith's Officers' Club in Jerusalem on March 1st 1947, killing thirteen and wounding sixteen. British Judge Windham was seized as a hostage in January 1947 and earlier five British officers were seized from the Tel Aviv NAAFI in June 1946.

Two British sergeants seized by the Irgun in June 1947 were hanged, and their bodies planted with booby-trap explosives.

Zionist terrorism was not confined to Palestine. In Rome a bomb exploded at the British Embassy during October 1946, while in London letters addressed to Cabinet Ministers were found to contain explosive devices - the first letter bombs ever used.

As the British prepared their evacuation from Palestine, so the terrorist operations by the Zion-

ists became increasingly directed against the Palestinian Arabs. Bombs exploded in Arab market places and cafes, and week after week the Arab fatalities increased.

The Haganah claimed responsibility for the death of twenty people in an explosion which wrecked the Semiramis Hotel; fourteen Palestinians died when Zionists blew up a house in Tiberias on April 19th 1948; more than sixty Palestinian deaths were reported following a Palmach attack on Balad al-Sheikh on December 30th 1947, when women and children died from gunfire as they sought refuge.

United Nations Mediator, Count Folke Bernadotte, who strove ceaselessly to establish peace in Palestine, was shot dead in the Israeli sector of Jerusalem on September 17th 1948 by members of the Stern Gang.

Tens of thousands of Palestinian families fled their homes. In The Times on 26th October 1973, General Sir Horatius

Murray, former Commander of the 1st Division in Palestine, related how the Zionists launched their offensive as British troops prepared to evacuate. 'The Jews', said Sir Horatius, 'seized this opportunity to launch a ruthless and sustained terrorist campaign against the Arabs'.

Menachem Beigin, leader of the Irgun and today leader of the Likud Party in Israel's Parliament, has since written of the notorious massacre of Arab villagers at Deir Yassin: 'The Massacre was not only justified, but there would not have been a State of Israel without the victory of Deir Yassin'.

But for the Palestinians, condemned to a life of poverty and deprivation in refugee camps, the era of terror did not end. The Israelis continued to launch attacks, which persist even today. One raid, on Nabatieh refugee camp in Lebanon during May 1974, made thousands homeless. A UN report on the destruction at Nabatieh revealed: 60% of homes totally destroyed; 20% partially damaged; 10% slightly damaged and 10% with roofing damages.

Next time the Israelis accuse the Palestinians of terrorism, and attempt to silence those who speak for the Palestinians, ask yourself, 'Who are the real terrorists? The Israelis, whose record is only partially touched upon by the facts you have just read, or the Palestinians seeking the right to return to live in peace in their homeland?'

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BRITISH ASSOCIATION

Fall in population rate attributed to the economic recession

From Pearce Wright and Robert Parker Guildford

The recently well publicized drop in the population rate in Britain is probably only a temporary fall caused by the economic situation, Mr C. Mercer, a lecturer in psychology at the department of applied psychology in the University of Warwick, said yesterday.

He said the belief that the future population would decline was also unwarranted because at the beginning of the 1980s more people would be "moving into reproductive cycles". In an address called "Psychology and Population", given as part of a symposium on housing, Mr Mercer suggested that psychological techniques could be used to achieve the goal of a stationary population needed to bring better housing conditions.

Although successive governments since the war had been concerned about population, any population seemed to be based only on the hope that teachers could educate children in family planning.

Enough was now known, however, to improve family planning services. "By focusing on the contraceptive method, the user and the provider, and the interactions between these three variables, greater acceptability of contraception can be achieved."

There was no evidence that medical tests carried out before

contraceptive pills were prescribed could predict an adverse response. The elaborate routine was a complete waste of time. Pills should be made more freely available and the family planning mechanism geared much more to the interests of the customer.

It was now known that unwanted children were seriously disadvantaged and often costly to the state in the services they needed. "Thus, to reduce unwanted births would not only be cost-effective but would bring about a reduction in human unhappiness."

In an earlier paper, Dr D. Y. Center, a lecturer in environmental psychology at the Surrey University, said there was no evidence to show that the move away from building tall blocks of flats was justified.

He suggested that the building of medium blocks of four to five storeys by local authorities in England and Wales in preference to tower blocks was only replacing old mistakes with new. The evidence in favour of medium blocks was as sketchy as that to show that tower blocks were wrong. While conceding that high buildings are difficult to service and not suitable for young families, Dr Center said they at least had the advantage of privacy, good location and pleasant views.

Far more research into housing was needed. "We will spend far more money on what happens in distant areas than we do on our neighbourhood."

TRADES UNION CONGRESS/BLACKPOOL

Pay 'rebels' urged to think again

Unions planning to vote against the Government-TUC pay policy were urged yesterday by Mrs Marie Patterson, president of the TUC, to reconsider their position.

In her opening address to the conference, she said: "If in the coming year all who are in a job (and I mean all, not just some of them or most of them) accept a standard flat-rate increase in their pay packet, then the increases in prices and unemployment can be checked and they reach the level of disaster."

Her remarks were seen as an appeal to those unions representing some three million workers, which have been in the forefront of the pay policy at tomorrow's economic debate.

Mrs Patterson said an equal increase in pay for everybody was not just a matter of justice but it was also a matter of making the poorest of the poor even poorer. What is more, it runs parallel with the movement towards equal pay to which all of us in the trade union movement are committed.

She was sure that behind the defensive walls that the policy on prices, pay and jobs would set up, there was a plan to be made, not only in the economic and industrial field but in health, education and social services.

The partnership based on mutual respect between the Government and the trade union movement had added a new meaning to all it was understood by the British way of life.

"Yet we must know that all this is not unachievable. The achievements already reached, the bigger achievements we look for, could be engendered and lost if the confidence of inflation is allowed to continue unabated."

There was not much time left to beat inflation. "Twelve months would be too late to take the resolute action which the crisis demands. But if the right action is taken bravely and firmly the outlook a year from now will be far less gloomy and grey."

Speaking of the dangers of a return to a Tory government, Mrs Patterson said: "Nobody will deny that the trade union movement has been able to reach infinitely more accord with the present government than it has with the last."

Between 15,000 and 20,000 jobs was not a large figure in relation to the unemployment problem, but it would be a useful experiment which, if successful, could be expanded quickly.

The commission was also anxious to develop a manpower strategy for the future, not just for this period of recession. Even in periods when the economy had recovered, there had still been recurrent and serious manpower problems.

Whatever the state of the national economy, unemployment had remained at an acceptably high level in certain regions. General economic measures had not tackled those difficulties.

They had to have much more information about what was happening in the employment market, in localities, so that specific steps could be taken to deal with difficulties at local level. He expected the commission to play a central role in that work.

The general council believed that to meet these special needs, much greater effort should be made to provide selective employment, and not just in the short term.

That could be done by improving the employment service, improving information about job opportunities and training and helping to increase employment.

In addition, work-research programmes might be needed for special groups in better times as well as during the unemployment period. There must also be a continuation of policies designed to promote industry in areas of high unemployment.

Lord Allen regretted that they had not succeeded in persuading the Government to abolish private fee-charging employment agencies. Stronger regulations on agencies in the future would be needed. There was no means by which an acceptable substitute for abolition. Frankly, they expected a Labour Government to face the decision to abolish these agencies.

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Mrs Patterson: Rough justice better than no jobs.

Helping hard-hit areas to win back full employment

Lord Allen of Fallowfield, chairman of the Employment Development Commission, said the general council believed that to achieve and sustain full employment there had to be action on a number of fronts.

He was presenting the paragraphs of the council's annual report covering unemployment, training, and the activities of the Manpower Services Commission.

He said that while the commission was taking action to maintain training, the indications were that employers were coming back on training again this year.

The commission was examining the possibility of alternative sources of finance for training. A consultative document on the vocational training of young people was published by the Manpower Services Commission in June, and the general council would be convening a conference of affiliated unions in the autumn to discuss the subject.

But the contribution of training to easing unemployment, although important, must not be exaggerated. Training could help to fit people to jobs, but the answer to unemployment was more jobs.

Lord Allen said the general council attached importance to the training of young people, which had just started to operate in assisted areas. It was still pressing the Government to support a vocational scheme directed at the most severely affected sections of the labour force and regions.

The scheme envisaged the commission's financing profit-making, labour-intensive projects of fixed duration and of community value. It would complete a series of regional policies which were aimed at providing permanent jobs.

Thousands of short-term jobs could be provided quickly if the commission got government approval.

Professor Chart said geneticists in his laboratory had transferred the genes that allowed bacteria to "fix" nitrogen to bacteria that did not possess that characteristic.

He indicated that genetic manipulation to create new strains might even be possible by transferring genes from single organisms to higher ones. There was no obvious reason why the plans should not be made to do this.

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Britain must invest in young, Mr Scanlon says

A motion welcoming the establishment of the Manpower Services Commission but regretting the cut in training levels was carried on a show of hands.

Mr Hugh Scanlon, president of the Amalgamated Union of Engineering Workers, moved the motion on behalf of the engineering section of his union. It recognized the important role of the commission and called on it to expand apprenticeships for both sexes.

It also regretted that government policy permitted over-leveraging which might be to the detriment of government grants and demanded reversal of that policy.

An accepted amendment from the National Union of Agricultural and Allied Workers supported the Board's efforts to get additional funds from the Government to expand its service in priority areas, such as the new entrants' training scheme.

Mr Scanlon said only a complete and speedy upturn in the economy could provide an adequate solution to the plight of the unemployed young. Firms argued that no investment or training facilities could be undertaken unless they were sure that their future economic prospects justified them, but there would be no economic future for Britain, without sacrifices or restrictions on the working class accepted, unless there was full-scale investment in young people.

Labour had promised to reverse the trend of cutting training levels. There should be high priority for implementation of that pledge.

He said the conference carried a motion instructing the general council to take immediate action, through consultation with the Government, to ban the use of agency labour in the ceramic and other industries.

Sex Discrimination Act would be effectively implemented.

The overwhelmingly male domination of this year's congress was quickly pointed out by the women who spoke during the debate on equal opportunities and the Equal Pay Act.

However, the many males subscribed to the blandishments of the few women present and carried out a vote on equal opportunities and the Equal Pay Act.

Mr Murray, TUC general secretary, said it was essential that the general council should not only be conscious of the decisions of the conference, which must be the decision-making body, but should be sensitive to the movement of opinion within it and be available for advice from the unions. The general council was aware of the need to involve unions and trade councils in its activities.

In the past five years there had been new techniques developed by the general council which the unions and trade councils should seek advice and the involvement of unions and trade councils through the industrial committees.

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WEST EUROPE

Appointment of Gen Goncalves Commander-in-Chief opposed by head of Portuguese Air Force

From Michael Knappe Lisbon, Sept 1

General Jose Morais e Silva, Chief of Staff of the Portuguese Air Force, today took a public stand in opposition to the appointment of General Vasco Goncalves as Commander-in-Chief of the armed forces.

He joined the rising tide of opposition to the appointment of the former Prime Minister assuming the senior military command. The appointment had already been denounced by the military forces in the Azores.

Many units in the north today remained defiantly insubordinate to the authority of their regional military commander, Brigadier Corvo, who is regarded as a close ally of General Goncalves.

Brigadier Corvo was summoned to Lisbon by General Carlos Fabris, the Army Chief of Staff, to discuss the indiscipline. Earlier, General Fabris had sent a letter to the senior officer, Brigadier Sacramento Monteiro, to report on the north, in an unsuccessful attempt to resolve the crisis.

In another example of military indiscipline, military policemen were caught scolding the presidential palace in protest at being posted to Angola. Four members of the military police, a second lieutenant and three soldiers, were detained at the weekend.

The troops had been sent because they had special "technical means" for controlling riots and his men were exhausted.

Brigadier Carlos Charais, of the Azores region, has tried to cool the situation. After delivering a warning last week that his troops were prepared to oppose any attempt to impose a totalitarian government, he has now said he is satisfied that the political orientation of the Government will be different under Admiral Pinheiro de Azevedo.

An assembly of 500 of the policemen, including officers and other ranks, voted in favour of the refusal to mobilise. One company was due to embark tonight. Their protest demonstration was being supported by various left-wing groups.

General Morais e Silva said in a statement that he felt the appointment of General Goncalves as Commander-in-Chief would cause greater tension in the military and would in no way contribute to the unity of the armed forces. He had supported the appointment when it was first suggested, but had changed his mind after a closer study of the repercussions it would cause.

Brigadier Corvo also issued a statement today saying it was "demagogic and ridiculous" to tie his name with any particular political party. He had maintained contacts with several parties as he thought it important to be aware of different sorts of political opinion.

Attempts to discredit him because Lisbon troops had been sent to control riots in the northern region were "tendentious and dishonest," he said. The troops had been sent because they had special "technical means" for controlling riots and his men were exhausted.

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General

Palace of Ecuador's President stormed by rebels but loyalist troops advance on capital

Sept 1.—Troops of a regiment today stormed the palace of Ecuador's President, General Velasco, after a bloody battle involving tanks and heavy fire. The rebels were surrounded by loyalist troops and a force of about 85 men had been joined by 300 loyalist troops in a final, successful assault on the palace.

Confirmed reports said the rebels were personally led by General Velasco, but the President was not seen. The rebels were accused of "weakness and cowardice" and failure to defend the capital. The President's son, General Velasco, was believed to be inside the palace, but the President's son was not seen.

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though this country had a chance to break away from the backwardness of its past. But what had promised to be a progressive regime soon turned into a government of discredited vested interests, with more money accumulated and more peasants, Indians and workers suffering for their share in the oil boom.

Captain Jarrin was forced to resign last October. With his resignation much of the dynamism that had first characterized Ecuador's regime went too.

In a much lesser extent, Peru was also running out of steam. Over the past few months because of the sickness of General Velasco, the late President, conservative forces were gaining ground. The Putsch by General Morales Bermudez last Friday stopped this. It may also have sparked off new hopes in Ecuador.

It was no accident that General Morales, the new President, chose to stage his coup from Tacna, a town on the coast. Tacna was the timing accidental. August 28 is the anniversary of Tacna's return to Peru after a war with Chile in 1879 which resulted in Peru losing a sizeable chunk of its southern territory including Tacna.

The coup last week occurred at a time when there are rumours that Chile and Bolivia are discussing a solution to Bolivia's quest for an outlet on the sea. The coup may have been a prelude to a treaty with Peru.



President Velasco, target of the coup in Ecuador.

called on Ecuadorians for support in ousting the regime. When President Velasco took power in February, 1972, with proven all reserves in the eastern Oriente jungle, and nationalist Minister of Natural Resources, Captain Gustavo Jarrin, it looked as

Hopes of ending Angola civil war fade

Lunda, Sept 1.—Hopes for a speedy end to the fighting between two of Angola's three warring liberation movements dimmed today after the return here of a leader of the Popular Movement for the Liberation of Angola (MPLA) from Lisbon.

Last Friday, official Portuguese sources in Lisbon said that the MPLA and the Union for the Total Independence of Angola (Unita) had agreed on an immediate ceasefire and an exchange of prisoners.

The reports came after the conclusion of talks in the Portuguese capital between Senhor Lopo de Nascimento, the MPLA-appointed Deputy Prime Minister of the Angolan transitional Government, and Senhor Jose Ndele, his opposite number from Unita.

Today, Senhor de Nascimento was quoted as saying that the Lisbon talks were aimed at finding a basis for overcoming the military confrontation and political impasse between the two movements. A statement issued by him made no mention of a ceasefire agreement and said the Lisbon talks required confirmation by the two movements' leaderships.

Observers here expressed doubt whether this could be done quickly.

Prayer and protests at opening of Windhoek constitutional talks

From Nicholas Ashford, Windhoek, Sept 1.

The constitutional conference on the future of Namibia (South West Africa) opened in Windhoek today with a prayer from Pastor Cornelius Njoba, the Ovambo leader, and amid protests from political organizations which are excluded from the talks.

When delegates representing the main ethnic groups in the territory arrived at the Turnhalle conference centre this morning, they were greeted by a group of silent demonstrators bearing placards.

One read: "If Hitler despotism was defeated, why not Namibia's racist regime?" Others demanded that there should be "No talks with Mudge" (a reference to Mr Dirk Mudge, the leader of the all-white South West African Legislative Assembly) and "South Africa must quit".

The demonstration was organized by the Namibian National Convention (NNC), an umbrella political organization whose most important element is the South West African People's Organisation (SWAPO). Mr Jafra Tjoondoro, the NNC's president, said that his organization rejected the talks because the delegates represented only a minority of the population of Namibia. He added that the NNC would never accept a Bantustan or homeland solution for Namibia.

However, he did not altogether rule out NNC participation in future constitutional talks provided that certain conditions were met. These included the release of all political prisoners, the return of political refugees to Namibia, the scrapping of the R17 emergency regulation in Ovambo land which gives the South African police almost limitless powers of search and arrest, and the immediate cessation of all Bantustan development in the country.

The NNC also wanted a commitment by South Africa that it will recognize the territorial integrity of Namibia including Walvis Bay (at present part of South Africa) and the Caprivi Strip and an undertaking that all South African police would be withdrawn from the territory.

The demonstrators took a considerable risk in appearing outside the conference centre. Several of them said they had been arrested on previous occasions and feared that they might again be detained.

Later today, another political organization, the Voice of the People, put out a statement also condemning the talks. The organization, which claims to speak for 45,000 people, has been in consultation with Dr Israel Maisels, the South African advocate, who was advising the African National Council during last week's Rhodesian settlement talks at Victoria Falls.

As a result of their meeting with Dr Maisels, a letter has been sent to Dr Kru Waldheim, the Secretary-General of the United Nations, disputing the legality of the present conference on the basis that the delegates were not representative of the people of the territory. The United Nations, which has set up its own council for Namibia, has repeatedly called for South Africa's withdrawal from the territory.

The conference itself made a slow start. The delegates, who numbered about 150, assembled shortly after 9 am and adjourned three hours later having heard a brief opening address from Mr Mudge and agreeing to establish a credentials committee comprising two members from each delegation. This committee met all afternoon, and the full conference will resume again tomorrow morning when it is expected to appoint a chairman.

Some delegates, notably the Bushmen and the Tswana who form a joint delegation, seemed overwhelmed by the bustle of activity and by the impressive, refurbished conference centre which has just been given a £150,000 face-lift by the South Africans.

Others, such as Chief Kapuuno of the Hereros, were in ebullient mood. Chief Kapuuno is being advised by Mr Stewart Schwarz, an American lawyer, but so far Mr Schwarz has not been allowed into the conference hall.

Proceedings this morning were further complicated by the fact that the elaborate simultaneous translation system is not yet functioning. There are seven official conference languages, although Afrikaans is the lingua franca.

Greek dictator 'used 26 killed sort of torturers' near air base

From Mario Modiano, Athens, Sept 1.

When Mr George Papadopoulos, dictator of Greece, he led the country into a state of emergency, he used 26 killed sort of torturers, his close associates said today. The torturers were accused of torturing political prisoners, and the five defendants testified in their own defence today, turned state witnesses.

Michael Petrou, who was described by several prosecution witnesses as the fiercest of the torturers, said he had no part in the tortures, obeying orders from the accused. "I went to serve my duty and I became the instrument of a paranoid group of scoundrels," he told the court.

He had obeyed, he said.

Atrocity investigation 'a trick'

Nicosia, Sept 1.—The Turkish Cypriot leadership announced in Nicosia today that it would not allow the Human Rights Commission of the Council of Europe to enter the Turkish-occupied part of the island to investigate atrocity allegations against the Turkish Government.

Mr Osman Orek, Vice-President and Minister of Defence of the self-proclaimed Turkish Cypriot federated state, claimed that the Commission's investigation was a trick prepared by the Greeks.

A five-man delegation of the Commission arrived in Cyprus yesterday to investigate allegations of mass murder, rapes and other atrocities and violations of human rights by Turkish troops in the Turkish-occupied part of the island. The complaint was lodged with the Commission by the Cyprus Government.—AP.

Non-aligned nations to seek economic change

From Jane Monahan, Lima, Sept 1.

The first ministerial conference of non-aligned nations, which ended in Lima on Sunday, brought a new and fundamental development. The movement no longer views itself only as an instrument of struggle for political liberation. The chief concern of its member nations is now to obtain a new and fairer international economic order.

The work of the economic commission in Lima, however, had limited success. It was seen that the interests of all developing countries are not the same. Some are much poorer than others for example, and some, like the newly rich Arab nations, seem reluctant to allow other members to share in the bounty. None the less, various instruments aimed at establishing a new economic order were approved.

Members fully approved the establishment of one fund, five others were agreed on "in principle" and so was a council aimed at coordinating the activities of all producer associations. But a statute on foreign investment, multinational and the transfer of technology, which promised to be one of the key instruments of the new economic order, was turned down.

The fund that was fully approved is a solidarity fund for mutual economic assistance. Up until the last minute, there was disagreement over the fund's purpose. It was finally agreed that initial contributions be fixed at one million special drawing rights (SDRs). Poorer nations are to be given two to three years for the fund, which will be set up in Kuwait, which proposed the fund, to begin work as being akin to a mini World Bank, and hopes that with additional voluntary contributions the fund may be set up with a starting capital of \$100m.

The five other funds that have been agreed "in principle" are to be studied by special committees of experts before commitments are made in the next summit of non-aligned countries scheduled for Sri Lanka in August, 1976. They are a fund to finance buffer stocks of raw materials to ensure stability in international prices; two funds, one for food and another for agricultural development, that were proposed by the former Peruvian President Velasco at the outset of the conference; a special fund for landlocked countries in the non-aligned movement, like Afghanistan, Nepal and Upper Volta; and a fund for the post-war reconstruction of Indo-China.

Technical and administrative problems are associated with all of these funds. There are also problems of duplication and financing. Many delegates at the Lima conference assumed that Arab nations would put up money for economic assistance projects. But one Arab delegate, who is a legal financial expert, says much still to be done by diplomats before financial commitments may be made. "There is no need for six funds," he says. "Two could cover all the aspects of economic assistance adequately, as well as avoiding a growth of bureaucracy."

As for the statute on foreign investment, multinationals and technology, ministers have agreed to consider it and send it to their governments for study. "In any case, it is desired," informed sources say.

Swapo still willing to talk on Namibia

By Robert Fisk

The South West African People's Organisation (Swapo), which wants Namibia to be an independent country rather than an agglomeration of federal states, yesterday released its proposals for Namibia's constitution. Swapo's absence from the Windhoek constitutional conference may prove crucial to South Africa's hopes of a settlement.

It insists that the country should be a republic, that a president should be elected by the people, and that Cabinet members should be chosen from a single-chamber legislature. It still holds out the possibility of talks with South Africa.

West urged to yield to needs of poorer states

From Peter Strafford, New York, Sept 1.

The United Nations special conference opened today with a call to the West to take the first step towards solving world economic difficulties. Mr Abdelaziz Bouteflika, the Algerian Foreign Minister, said that it was for "the more fortunate" to make the necessary concessions, and "yield to the legitimate aspirations of those to whom history, and sometimes nature, has been ungenerous".

Mr Bouteflika, who is to be the president of the conference, is one of the leaders of the movement to get better economic terms for the developing world. In his speech today, he spoke of "several centuries of plunder" which had been brought to an end by the actions of the industrialized countries. "Imprisoned in their selfishness," he said, "they have refused to share their wealth with the poorer states."

He said there were two courses of action which could be followed, and it was for the industrialized countries to choose between them. The one he advocated was to work towards restructuring the world economy so that it would meet the needs of all mankind by providing "more justice and more solidarity, directed particularly towards the poorest".

The other would be for the industrialized countries, "imprisoned in their selfishness," to continue to defend their privileges in an obsolete order. If they did this, Mr Bouteflika said, the developing countries would have no choice but to "take up the stance of confrontation".

Australia cool on Timor troops plan

From Bruce Palling, Canberra, Sept 1.

A special Portuguese envoy, Antonio Almeida Santos, said today that he had no firm commitment from the Australian Government to join any international body concerning the Portuguese Timor. He said he was in a position to indicate a definitive view on this question in advance of the outcome of the talks which Dr Santos will be having in Jakarta on the subject.

Dr Santos is expected to fly to the island of Timor tomorrow to meet the Portuguese Governor, Colonel Santos, and members of the Revolutionary Front for an Independent East Timor (Fretilin).

The concept of an international supervisory body would include forces from Indonesia, Malaysia, Portugal and Australia with the chief military role being assigned to Indonesia.

nationalists in Dili say they are still ready to negotiate with Lisbon

Footpath outside a suburban home. When we stopped to take photographs, an old Chinese woman walked outside crying and pleading to us to take it away.

On another street a squad of some 10 men, obviously prisoners under guard, walked along wearing masks over their faces to protect them from the sun. They were on enforced burial detail.

It was at Dili hospital that we began to learn the real cost of the war. It is in the hills two miles south of the city. The area over which Fretilin has extended secure control.

We were greeted by medical orderlies and nurses, many of them with blood-spattered gowns. The Portuguese had ordered out the one remaining military doctor four days earlier. According to the Fretilin, the doctor at first refused to

which is reported to be willing to do this. The Australian Government faces strong international opposition to any troop commitment, even in an administrative role, to a colonial territory. About 10,000 people fleeing the bloodshed in Portuguese Timor are waiting at the frontier to cross to the Indonesian side of the island. The Antara news agency said today. It did not say what was preventing them from crossing.

Reports of a lull in the fighting are being variously attributed to a shortage of ammunition or to the presence of Indonesian warships near the capital of Dili.—Reuters.

it is not true," he kept saying in Portuguese.

Armed, long hallway held some 40 men. They claimed they had not been fed for three days. A number of them had been beaten across the back and showed sores.

A slim, grey-haired Portuguese in obvious pain, opened his belt when I passed and pulled down the top of his underpants. He had a huge hernia, acquired apparently before his capture. But he, too, had been beaten.

Mr Favaro turned on Mr Fernandes and said: "You must not do this to these men. These are prisoners of war. They are in your care. You must treat them well."

Mr Fernandes replied: "But these are bad men. They have been shot at our people."

He brought us a Fretilin man who said that he had been captured by the UDT and seen his fellow prisoners shot—two of them while they sat in the lavatory. He himself had escaped while being sent out to burial detail. "The UDT kills our prisoners," Mr Fernandes said. "We at least try."

Trying is not enough," Mr Favaro said. "You must promise Mr Fernandes agreed to treat the prisoners."

I have had some experience in military situations and seen other prisoners. By Vietnamese standards these men were relatively well off.

There is evidence that what has happened in Timor is a reflection of events in Portugal itself. The Portuguese Army since Timor is split between communists and anti-communists. The officers and soldiers promoted their individual views among the Timor people and, when the time came, probably did all they could to lend support.

There are some 13 military districts, each under the control of an officer, and each with its own armoury. Various armoured vehicles were thrown out to Fretilin; others to the UDT. There is no doubt that the UDT is closer to the hearts of the

Portuguese leadership than Fretilin.

At the war, both sides altered their positions to try to attract more followers. The UDT began to speak in a more revolutionary way and Fretilin to speak more moderately.

Mr Fernandes told me that Fretilin, although it held firm control of Dili, would not try to declare a provisional government. It wanted to negotiate with Lisbon.

Undoubtedly there have been some large-scale atrocities on both sides. Whether they were calculated atrocities, authorized by Fretilin or UDT commanders, is another question.

Time after time, when I tried to trace a story to its source, I found only someone who had heard it from someone else.

Strangely, it is in the interest of all three governments—Portuguese, Indonesian and Australian—to make the situation appear as chaotic and hopeless as possible.

Portugal: To explain away its loss of face and inability to pursue any further colonial responsibilities.

Indonesia: To justify intervention and the eventual forced reunion of the two halves of the island.

Australia: To conceal its shameful rejection of a cry for help.

In that light, I am convinced that many of the stories fed to the public in the past two weeks were not simply exaggerations; they were the product of a purposeful campaign to plant lies.

If a government should decide to promote the spread of distortion and confusion, how better to start off than with a total ban on news coverage? Portuguese officials refused all pleas for entry, implying sometimes that it was at the request of Canberra.

Canberra, through the Department of Transport, closed the runways of northern Australia to charter aircraft, explaining that it was at the request of Lisbon. Indonesia, in its own style, simply barred any through-travel to Timor, without bothering with explanations.

Hurricane hits Mexico

Mexico City, Sept 1.—Hurricane Caroline hit the north-east coast of Mexico with winds up to 115 mph yesterday, and in the ensuing floods at least 1,000 people had to evacuate their homes.

Footballer killed

Sydney, Sept 1.—John McGee, aged 27, a Scottish footballer, who was transferred to the Apley Leichhardt club in Sydney from Dumbarton in 1973, was killed in a car crash yesterday.

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OVERSEAS

Bougainville
secedes
from Papua
New GuineaFrom Our Correspondent
Melbourne, Sept 1

With independence for Papua New Guinea just over two weeks away, Bougainville, the copper-rich island, today announced its secession from the mainland. The secessionists are now threatening to take over the island's copper mines, the greatest single source of income for Papua New Guinea.

In a ceremony watched by 5,000 people, Bougainville's rebel leaders today renamed their tiny island the Republic of the North Solomons and officially declared it independent.

The Government of Papua New Guinea does not recognize the island's self-proclaimed independence, but the official ceremony went without any of the feared violence. The unilateral declaration of independence was made in Arawa market place by Dr Alexis Sardi, the chairman of the newly-formed Government.

Dr Sardi, a former Roman Catholic priest, told supporters that Bougainville's leaders had taken the step to show the world that the island's 90,000 people wished to shape their own destiny.

Bougainville is the most easterly part of Papua New Guinea and the site of one of the world's biggest copper mines. Dissatisfaction over the degree of autonomy and the amount of revenue allocated to the island by the Territory's central Government led to the secession.

Neither Australia, nor the United Nations recognizes the declaration of independence. Papua New Guinea took strict security precautions to guard against incidents today but did not attempt to interfere with the ceremony.

The territory's Government will simply ignore today's proceedings and will go ahead providing revenue and government services through its own field staff and statutory authorities on the island.

In Port Moresby Mr Michael Somare, the Prime Minister of Papua New Guinea, has rejected the Bougainvillean move. Bougainville, he said, would always remain a province of Papua New Guinea, and he believed the majority of Bougainvilleans people saw the danger inherent in breaking away. He appealed to all Papua New Guineans to remain calm.

Mr Somare's approach to the problem of Bougainville has always been to tell them to stop being absurd, and his behaviour today suggests that although the situation has developed into something more serious, he nevertheless believes it will blow over, and many less serious attempts at independence have in the past in Papua New Guinea.

Sixteenth century novel becomes a pretext
for arguments over current disputes

Peking fights political battle by allegory

From David Bonavia
Peking, Sept 1

Leading organs of the Chinese Communist Party yesterday called on the nation to launch itself into a new campaign of criticism against a famous traditional novel—evidently as a symbol of internal political issues.

Only in China can such abstract, seemingly academic debates represent genuine policy matters and disclose disputes among leading political factions. Officials are likely to deny that top level conflicts are involved, but the content of the peace-setting articles in such organs as the *People's Daily* and the *Red Flag* makes it clear that modern politics are being discussed allegorically.

Expert diplomats trained in modern Chinese affairs, tend to the view that the rehabilitation of officials purged during the Cultural Revolution is being criticized in the latest campaign to denounce the sixteenth-century novel *Water Margin*.

However some Chinese intellectuals suggest that the real target of the attacks may be the Soviet Union—with the implication that the idea of closer relations with Russia must be under critical review.

As in the case of the anti-Confucius campaign last year, the historical allegories are capable of modern interpretations, but nobody knows at what point the analogy could be pushed too far.

The new campaign, which has been built up over the past week and is expected to explode in the news media in the next few days, concentrates on the medieval peasant rebellion round which this popular of China's traditional novels is composed.

The big issue, as presented in the party press, is whether the novel's hero Sung Chiang should be seen as a revolutionary or merely as a seville, disgraced officer whose main aim was to win his way back into the emperor's favour at the cost of the people's cause. The new campaign in the press takes the latter view.

The modern issues involved are difficult to identify point by point with the allegory and this is the normal style in such campaigns. It allows everyone involved to retreat gracefully if and when the whole thing fizzles out or backfires. But certain comparisons should be elucidated.

First, it seems that this is an attack from the radical left, as one of the criticisms published yesterday is under a pseudonym believed widely to be that of Mr Yao Wen-Yuan, the propagandist whose articles launched the Cultural Revolution 10 years ago.

This seems to rule out the possibility—rumoured by some East European diplomats—that the new campaign might be an attack on Chairman Mao Tse-tung himself. If the literary criticism refers slightly to the emperor, nobody in China would dare draw such a conclusion. They would rather identify "the emperor" with senior officials who attempted to usurp Chairman Mao's power.

Much more complex is the question of amnesty—the main point of criticism against the legendary Sung Chiang. He is regarded as having sought amnesty above all other considerations and this could well be seen as an attack on the senior officials purged eight or nine years ago who are now returning to official favour in

a steady trickle. But official sources tell correspondents in Peking that these rehabilitations are agreed by the Politburo of the Communist Party. It is therefore hard to see how the party's main theoretical journal could be attacking them, if the propaganda apparatus has not been severely undermined by people of an excessively radical stamp.

The other interpretation could be that youthful, political activists, frustrated since their heady days of power in the late 1960s, are joining the establishment by accepting official posts after the failure of their attempt to make a comeback against the military and political leadership in the provinces last year.

This interpretation is not entirely at odds with the idea of an attack on rehabilitations, as both trends represent a warning of radical politics in China. The official press has given constant warnings of such "revisionist" tendencies in the event of people failing to pay enough attention to the ideas of Chairman Mao, who is 81 and in weak health.

Yesterday's leading article in the party organs directly linked the "capitulation" of Sung Chiang with the "revisionism" of the "capitalist" class.

The idea of an attack on proposals for rapprochement with Russia cannot be ruled out as the late Lin Biao was also called a "capitalist" for allegedly having sought to sell China out to the Soviet Union. But this is probably a peripheral issue because treachery (nowadays defined as flirtation with Moscow) is seen primarily as a result of deviations over internal political matters.

Officers freed by Mao 'in despair'

From Richard Hughes
Hong Kong, Sept 1

Three of the 10 former high-ranking officers of the Chinese Nationalist Army, released by Chairman Mao in March after 25 years' imprisonment, will return in despair to China—probably on Friday.

After being held in Hong Kong for permission to return to surviving wives and families they have decided that visas will not be granted them. They are all in their late 60s. Their order of release, after being able to make contact with their waiting families in Taiwan by telephone or mail, has lasted since their happy and hopeful arrival in Hong Kong on April 14.

Their fares to Hong Kong and their stay there were paid by the Communists, and their stay of residence was extended each month.

As time ran out, one of the 10, Colonel Chang T'ieh-shih, changed himself in his hotel room. Two others, General Chen Hsi-chang and General Tuan Ke-wen, were granted admission to the United States.

The three who have decided that they will remain no longer stranded in Hong Kong but return to China are Brigadier Hsi Shui, Colonel Chao Eyi-hsien and Brigadier Yang Nan-tung.

They are being entertained at a dinner tonight by Communist Party officials and are expected to announce their decision to return to China at a press conference tomorrow.

The Hong Kong China Mainland Refugee Relief Association has endorsed and supported the pathetic applications of the officers to be allowed to rejoin their families; but the

Nationalists have stood firm, privately demanding, it is understood, that the once-honoured "warrior foot the bill for the public anti-communist declarations.

These would not only embarrass Hong Kong, but also prejudice the future of other "warrior foot the bill" cases released in March and since detained "in freedom" inside China.

Last week the remaining six officers made a final appeal to Taiwan: "Let us come home, let our dear families be reunited with us in Hong Kong."

Even Chinese Communist Party representatives in Hong Kong have been astonished at the implacable Taiwan attitude. Chinese Nationalist representatives in Hong Kong, embarrassed and apologetic when the subject is raised by friendly foreigners.

Trial opens of London girls
in Kenya currency caseFrom Our Correspondent
Nairobi, Sept 1

Two teenage London girls denied charges of attempting to export foreign and Kenyan currency worth over £120,000 when their trial opened in a juvenile court here today.

The girls, Teresa Ann Laws, aged 16, and Lynn Francis, aged 18, both of Woolwich, London, are alleged to have been found at Nairobi airport with the money hidden in their luggage.

During today's hearing, evidence was given that after the money had been found they told a customs officer that they had been given the luggage by a Mr Patel, who told them to hand it to a woman in London. The original charge of conspiring with a person or persons unknown to export foreign currency with over £120,000 was amended today. Four separate charges were substituted—

conspiring to export foreign currency without authority, conspiring to export Kenyan currency, and two charges of making false statements to a customs officer.

Mr F. H. Abdullah, the magistrate, today heard evidence that the girls stayed in a Nairobi hotel from June 16 to 29, and that their bill was paid by an unidentified Asian.

Mr Stephen Gichuru, a customs officer, gave evidence that he had received information from a police officer that the girls should be questioned and their luggage searched.

He said the girls told him they did not have the key to a new brown leather suitcase, but eventually produced it. Inside was a metal lamp, in which a large quantity of currency and cheques was concealed. More money and cheques were found in the false bottoms of two handbags.

Trade union leader attacks
Kissinger détente policyFrom Our Own Correspondent
Washington, Sept 1

Denouncing détente as a vain attempt "to stop evil by appeasing it", Mr George Meany, the anti-communist president of the AFL-SIO trade union organization, today bitterly attacked President Ford's economic and foreign policies as being "disastrous".

Mr Meany protested in a Labour Day broadcast that détente "as defined and presided over by Henry Kissinger" had been the prime cause of a shift in the balance of power from the United States to the Soviet Union.

He stopped short of accusing the Secretary of State of treason, terming his work "the most major misconception about the world we live in". All American workers, he said, had too big a stake in foreign policy to leave it to the Secretary of State, and he announced his

intention to have a say in foreign policy.

Mr Meany complained that the mess he discerned in the economy was "died in with a world crisis of terrifying proportions".

He said: "Drive into your local petrol station, and you'll run smack into the crisis in the Middle East and Arab oil black-mail. Walk into your grocery store, and your pocket book will feel the consequences of the Soviet wheat deal in the name of détente."

He blamed détente for giving a nuclear superiority to the Soviet Union and for having discouraged the turn of the century, for naturally it comes into its own only when fashion demands a great deal of covering of other areas and leaves few avenues for attention. Thus in the Edwardian period the neck, face and hair were crucial focus areas over elaborate and artificially shaped dresses.

The liberation of clothing brought about by the First World War gave designers virtually the whole body to show off at different times, so hair went out of interest, cropped off or extinguished under the candle-snuffer clothes of the twenties.

Unlike other body areas which have been concealed or revealed according to the prevailing social climate, however, hair has something of a mystery all its own. Because it seems to grow after death, and it is preserved sometimes almost miraculously, it has been awarded strange magical properties by many people. Hair is, of course, inextricably bound into literature and myth—Kipling's woman lets down her hair to make the spells to catch the wild animals in the *Cat Who Walked by Himself*, the secret of Samson's strength lay in his hair. What makes the revival of attention to hair now interesting is that it looks like being the first unisex erogenous zone picked out by fashion.

If you think about it, the changes in men's hairstyles have been much more radical than those for women over the past 10 years. While their clothes remained in general surprisingly conventional, although those of their womenfolk were grating round every silhouette known to the imagination, men's hair went long and then short; men grew Zapata moustaches, beards (very much "in" again now), wore headbands and pony tails in fringe groups, and generally signalled all sorts of things by way of their crowns. Television personalities were equipped with toupees; rough reporters such as John Pilger of the *Mirror* have carefully groomed and cut hair, I observe; now Kojak has made it to be as bald as an egg.

Obviously, when hair comes into focus as the erogenous zone there is a revival of interest in how to decorate it to make it as charming as possible. Significantly in view of the renaissance of what I call aesthetic dress—beautiful, soft, gently coloured clothes in flowing shapes—and when the Afro first originally seen as a protest hairstyle has been assimilated by society into delightful Pre-Raphaelite curls which go with the dresses, the shop which was the fashionable protagonist of these very ideas, Liberty in Regent Street, turns out to have commissioned hair ornaments as part of its centenary celebrations.

The charming small flowers by the young jeweller Sarah Jones were shown at the exhibition of lingerie and costumes staged recently at the Golden Square. And I thought they looked just right for hair. Ever since I saw the Etruscan gold pieces in Florence I have yearned for a wreath of oak leaves and acorns to wear on my own Sarah-Bentley frizzy fringe, and that designer feel the same way seems to be indicated by the fact that Bill Gibb encouraged me to wear the contents of a bouquier I was carrying in my hair instead.

What distinguishes modern hair ornaments from those of previous eras, though, is that the modern ones are not involved in enhancing the stature—either literally, or figuratively—of the wearer. From antiquity "crowns", however constructed, have been used as devices to signal authority or to increase the height of the wearer. Although precious metals were early prized, one of the most popular and sought after additions to the costume of the great were feathers. Nodding plumes and spiky crests lent pompous or ferocious aspects to the wearer, indicated his prowess at hunting or his ability to pay huge sums for rare specimens of bird plumes. Notice I say "his" prowess; because while feathers remained the prerogative of the mighty few bird life was safe from exploitation and extinction. It was fashion, and above all the fashion phenomenon that occurred in the mass market at the turn of the century, which perpetrated the cruelities and wasteful demolition of species outlined in Robin W. Doughty's new book *Feather Fashions and Bird Preservation* (University of California Press, £5.75).

So much has been written about the conservation of animals and the iniquity of slaughtering endangered wildlife to serve the needs of vanity that the holocaust of birds, sacrificed to decorate the heads of every shopgirl in 1900, has gone largely unremarked by fashion historians. When I was trying to research the point recently, I found facts hard to collect; so we should be grateful to Mr Doughty for a carefully documented account of how and where the plumage trade proceeded and the legislation introduced to curb it.

One of the first points which must strike the observer is: that conservation and

Death sentence
on Korean
for spying

Seoul, Sept 1—A man

accused of spying for North Korea was sentenced to death here today. Four others received prison sentences of between one and 10 years.

The condemned man, Kim Dal Nam, 31, was convicted of instigating anti-government campaigns by students and financing opposition activities. The prosecution said he had entered South Korea from Japan, where he lived, on a spy mission in 1968.—Reuter.

Congress in search of oil price formula

From Our US Economics
Correspondent
Washington, Sept 1

American oil price controls expired at midnight last night and the oil companies are only being restrained from making large price increases by last minute efforts by leading congressmen. They are seeking a compromise formula on ways to regulate oil prices. It is a difficult task made more difficult by President Ford's threat that he will block any extension of controls unless his plans are accepted by Congress.

The oil pricing issue is the major domestic political question in Washington. Senator Mike Mansfield, the Senate minority leader, and Mr Carl Albert, the Speaker of the House of Representatives, have assured Mr Ford that they will deal with the oil issue as the first order of business when Congress reconvenes in mid-September. The choice before Congress this week will be no different to the one that it had to face in the final weeks of July, when it decided to reject President Ford's plan for a gradual phasing-out of controls over 39 months and pass instead a Bill

to extend controls for six months.

The administration now hopes that the House will work out this week whereby the President can approve the Bill extending controls for six months, then sign a Bill hastily put together by Congress to extend controls to a maximum of 60 days, dated retroactively to September 1.

This indicates Mr Ford accepts the fact that it might take a few weeks for Congress to pass the legislation necessary to cover his phasing out of controls.

At a meeting last week in the Rex Theatre, a senior member of the committee, Mr Mai Chi Tho, addressed a thousand Buddhist monks and recalled their part in the national struggle.

"In the past the Buddhists were always side by side with the revolution in the fight against United States imperialism," Mr Tho said. "Now the Buddhists should cooperate with the revolution in the reconstruction of the country."

The meeting was attended by almost all the Buddhist sects in Vietnam.—Reuter.

headquarters here.

The capital's military management committee, whose clean-up campaign appeared to be succeeding, has also been continuing efforts to extend its relations with Vietnamese religious groups, after a meeting with Roman Catholics near Saigon.

At a meeting last week in the Rex Theatre, a senior member of the committee, Mr Mai Chi Tho, addressed a thousand Buddhist monks and recalled their part in the national struggle.

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The meeting was attended by almost all the Buddhist sects in Vietnam.—Reuter.

Saigon drive against 'sex beer' stalls

Saigon, Sept 1.—The Saigon authorities have launched a campaign to clean up the South Vietnamese capital's black markets, and arrested alleged illicit goods dealers said to be operating on the city's streets.

The campaign, run by Government security forces and students, is also aimed at the prevention of sex stalls that sprang up after the fall of the Thieu regime.

The stalls, many of them run by former bargirls and poor students, offered drinks called "sex coffee" or "sex beer". The black marketers traded in a variety of household goods, furniture, medicine and bicycle spares.

Former officers of the ousted regime are returning to their homes and families after political rehabilitation courses. Among those who returned

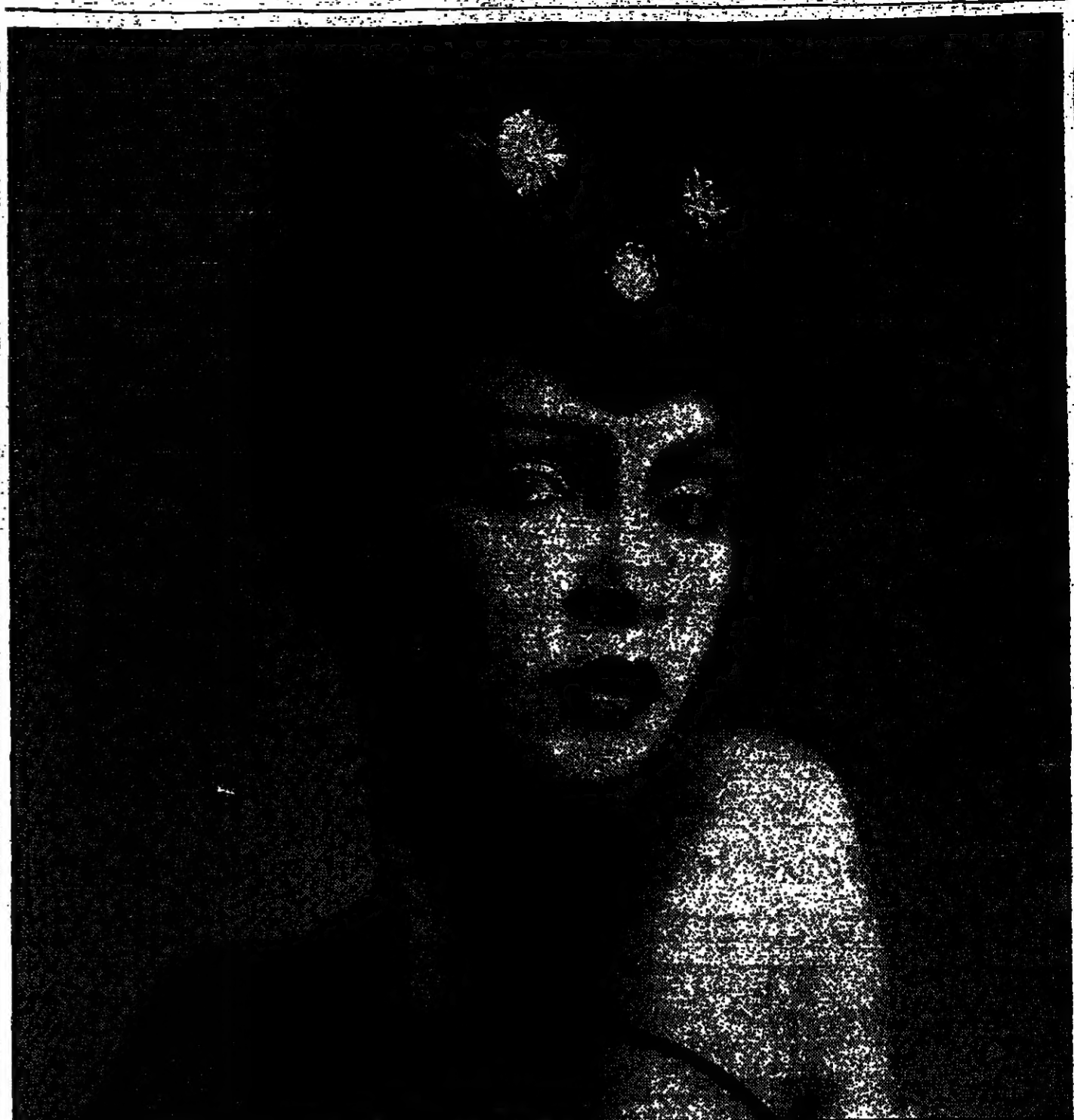
recently to Saigon was General Nguyen Van Vy, a former Defence Minister, who chose to remain in South Vietnam after the takeover.

Saigon newspapers reported recently the arrests of street gold dealers. The official newspaper, *Giaiphong*, has accused the country's only gold leaf manufacturer, the Kim Thuan Company, of being involved in a plot to enable Vietnamese nationalists to escape abroad.

The newspaper said the company arranged for a number of wealthy Chinese and former officers of the Thieu regime to escape abroad. But the all had been decided and were awaiting trial. Those detained were picked up in the Nha Be district, seven miles from Saigon, on August 22. Four days later Saigon's military administration seized the company's

Fashion

by Prudence Glynn



● Above: Three flowers used as hairpins designed and delicately made by Sarah Jones. Silver daisy, buttercup and ragged robin available to order from her at 27 Old Street, London, EC1, tel 01-253 3693. Prices £8, £7, £6, and may be gilded at an extra charge of £1.

● Left: Chinese antique kingfisher feather hair ornaments decorated with tiny coral beads. Available from the Real Jewellery department at Liberty's at £30 a pair. These were selected from a large range of hair ornaments to be seen from mid-September, and prices start at approximately £5. Exquisitely embroidered pure silk Chinese mandarin jacket, available from a selection at Liberty's Oriental Bazaar.

● Photographs by Olive Arrowood.

● Hair by John at Leonard.

● Make-up by Richard Sharrah.

Right: Caricature in *The Westminster Gazette* (July 1901), reprinted by the Royal Society for the Protection of Birds at 2d per dozen. The lady wears an assortment of ornamental plumage. A rhyme accompanying the cartoon ended: "I have found out a gift for my fair—A pair of stork legs—think of that! If they do look absurd, That's the fault of the bird, Not to grow legs more fit for a hat."

Beauty
in the eye of the
peacock

The erogenous zones go around and around in fashion, so I suppose it was only to be expected that after 1974 had been the year of the streaker, the revelation of even those small areas which modern society mostly expects to be decently veiled, 1975 should be the year of the hair, which almost nobody bothers to cover now even for church.

Forty years ago no well-bred woman would be seen in the street without a hat, and some especially grand ladies even wore hats at home for entertaining. As a centre of sexual interest, hair had been discouraged since the turn of the century, for naturally it comes into its own only when fashion demands a great deal of covering of other areas and leaves few avenues for attention. Thus in the Edwardian period the neck, face and hair were crucial focus areas over elaborate and artificially shaped dresses.

The liberation of clothing brought about by the First World War gave designers virtually the whole body to show off at different times, so hair went out of interest, cropped off or extinguished under the candle-snuffer clothes of the twenties.

Unlike other body areas which have been concealed or revealed according to the prevailing social climate, however, hair has something of a mystery all its own. Because it seems to grow after death, and it is preserved sometimes almost miraculously, it has been awarded strange magical properties by many people. Hair is, of course, inextricably bound into literature and myth—Kipling's woman lets down her hair to make the spells to catch the wild animals in the *Cat Who Walked by Himself*, the secret of Samson's strength lay in his hair. What makes the revival of attention to hair now interesting is that it looks like being the first unisex erogenous zone picked out by fashion.

If you think about it, the changes in men's hairstyles have been much more radical than those for women over the past 10 years. While their clothes remained in general surprisingly conventional, although those of their womenfolk were grating round every silhouette known to the imagination, men's hair went long and then short; men grew Zapata moustaches, beards (very much "in" again now), wore headbands and pony tails in fringe groups, and generally signalled all sorts of things by way of their crowns. Television personalities were equipped with toupees; rough reporters such as John Pilger of the *Mirror* have carefully groomed and cut hair, I observe; now Kojak has made it to be as bald as an egg.

Obviously, when hair comes into focus as the erogenous zone there is a revival of interest in how to decorate it to make

it as charming as possible. Significantly in view of the renaissance of what I call aesthetic dress—beautiful, soft, gently coloured clothes in flowing shapes—and when the Afro first originally seen as a protest hairstyle has been assimilated by society into delightful Pre-Raphaelite curls which go with the dresses, the shop which was the fashionable protagonist of these very ideas, Liberty in Regent Street, turns out to have commissioned hair ornaments as part of its centenary celebrations.

The charming small flowers by the young jeweller Sarah Jones were shown at the exhibition of lingerie and costumes staged recently at the Golden Square. And I thought they looked just right for hair. Ever since I saw the Etruscan gold pieces in Florence I have yearned for a wreath of oak leaves and acorns to wear on my own Sarah-Bentley frizzy fringe, and that designer feel the same way seems to be indicated by the fact that Bill Gibb encouraged me to wear the contents of a bouquier I was carrying in my hair instead.

What distinguishes modern hair ornaments from those of previous eras, though, is that the modern ones are not involved in enhancing the stature—either literally, or figuratively—of the wearer. From antiquity "crowns", however constructed, have been used as devices to signal authority or to increase the height of the wearer. Although precious metals were early prized, one of the most popular and sought after additions to the costume of the great were feathers. Nodding plumes and spiky crests lent pompous or ferocious aspects to the wearer, indicated his prowess at hunting or his ability to pay huge sums for rare specimens of bird plumes. Notice I say "his" prowess; because while feathers remained the prerogative of the mighty few bird life was safe from exploitation and extinction. It was fashion, and above all the fashion phenomenon that occurred in the mass market at the turn of the century, which perpetrated the cruelities and wasteful demolition of species outlined in Robin W. Doughty's new book *Feather Fashions and Bird Preservation* (University of California Press, £5.75).

So much has been written about the conservation of animals and the iniquity of slaughtering endangered wildlife to serve the needs of vanity that the holocaust of birds, sacrificed to decorate the heads of every shopgirl in 1900, has gone largely unremarked by fashion historians. When I was trying to research the point recently, I found facts hard to collect; so we should be grateful to Mr Doughty for a carefully documented account of how and where the plumage trade proceeded and the legislation introduced to curb it.

One of the first points which must strike the observer is: that conservation and

humanitarian controls were introduced on behalf of birds long before they were for animals, and in both cases America, perhaps because it was itself a source of supply for wildlife rather than just a receptive market, was ahead of Britain, for all our supposed sentimentality about animals.

The explanation for the delay in animal protection lies surely in the fact that although in many instances the hides and skins did serve no other purpose than that of fashion, equally before the invention of leather, mink and synthetic furs and wadding the natural skins were necessary for warmth and survival. Their trade could thus be justified on purely practical grounds. It is only since science has provided plenty of alternatives that conservationists have been able to gain a real moral upper hand, and even then one wonders, in view of the huge trade in synthetics which look as much as possible like the original and rare beast, just how far the message has sunk into the mass market.

The prohibition of the wildlife preservation lobby always strikes me as extraordinary, for it encourages women to wear fakes of creatures instead of trying to make the whole idea of wearing anything remotely resembling an endangered species disgusting. But then maybe it has had to operate on the "better to marry than burn" policy in the face of fashion demand.

Mr Doughty, no fashion expert, remarks without the cynicism more knowledge of the caprices of in mode men have given him that in spite of all the high-minded and admirable efforts to kill the trade in plumage, it was the change in fashion brought about by the First World War that actually stopped the slaughter.

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SPORT

Cricket

England aim for a great escape

By John Woodcock

Cricket Correspondent
THE OVAL: England, with nine second innings wickets in hand, need 152 runs to avoid an innings defeat by Australia.

England are fighting hard to take the fourth Test match to the last day, which is tomorrow. Yesterday they followed on 341 runs behind Australia, and by close of play in their second innings they had scored 179 for one.

The effort is being directed by Edrich. It is a tribute to him to say that England expected it of him. After five hours and a half he is still potting only nine runs away from his eighth hundred against Australia. Wood shared an opening partnership of 77 with Edrich, and then Steele, who was due for a failure, had another success.

Coming in at 3.40, Steele stayed until the end, a watchful companion for Edrich. I was afraid Steele might be unsettled by spin, but that forward plunge of his scotched it as effectively as it scotched Gilmour's at Headingley. To his earlier innings, the series of 59, 43, 73, 92 and 39, Steele has added one of 52 not out.

England were helped this time by the weather. It was a perfect day for batting as Thursday and Friday were, when Australia were making 532 for nine. Being as dry as the Nile for rain, and much the same colour, the pitch is drying. What turn there is, though, is slow, and there is no lift to breathe with as much determination as Steele's survival becomes a matter of patience, rather than of force. Of course, Wood, you could say, was involved in an accident, the ball that had him before keeping a little low.

What, then, of the future? It is still long odds in favour of an Australian victory, if nothing like as long as when the rain began. If England can get through to lunch today with the loss of only one more wicket they will begin to fancy their chances of achieving a great escape. There is a new ball available, to make it no easier. To strengthen the resistance I hope Greg comes in ahead of Woodman, especially as runs are as important as time. If Greg were to get in, England could begin even to think of putting Australia's batsmen to the test tomorrow. Edrich is too early yet to be talking of that.

It took Australia 25 minutes to collect the last two wickets in England's first innings, both Snow and Underwood being caught at second slip off Thomson. Although Greg Chappell has had a disappointing series with the bat, he has had eight slip catches in the four Test matches and held them all. With two lofted straight drives off the bat, one of which carried into the pavilion, Snow made England's first defiant gestures of the day.

By batting again Ian Chappell could have saved England from a second innings defeat. Australia could have been over 500 runs ahead by now and safe from all pursuit. By getting England in again at the first opportunity he kept the pressure on them and gave his players a better chance of a free day in London tomorrow before they leave for home. Wood did keep England in the game, though, with just the faintest chance of winning.

Several of their camp followers were of the opinion that Australia would opt to bat again. Had it taken them longer to finish England's first innings perhaps they



Lillee seizes an odd moment for refreshment during a slight hold-up of play.

would have done. But they did that without resort to Lillee, whose first over of the day was the first of England's second innings. By lunchtime Edrich and Wood had scored 32. The nearest either had come to getting out was when Wood, padding up to Lillee, suffered an extended appeal for leg before. In their efforts to camp for two days or more on this Oval wicket England had put in the first Test series.

For the first hour of the afternoon, Mallett was given the Vauxhall and, with Walker as his partner, Mallett beat Edrich once on the forward stroke. Mallett's drive down by Bird, it was Bird again who gave Edrich a case for leg before. In the second hour after lunch, Wood's only scoring stroke was a single.

When putting on 45 together in England's first innings, Wood had conspired Edrich: it was now the other way round. When, after almost three hours, Wood was out he was 22 to Edrich's 48. Wood's application had been admirable; he plays straight, too, with the ball round the corner. His footwork leaves more to be desired. He seldom plays right forward or right back.

For Steele, Chappell brought

back Mallett, heading him in with short legs. Steele was given a favourite's welcome, a saviour from obscurity. Soon he had his head thrust forward, as though peering for the ball from behind his rimless glasses.

At tea-time Edrich was 65. In the 115 minutes of the evening he made only another 25, but at 35 his stamina and concentration seem as strong as ever. He lost his appetite for Test cricket too to be being dropped. Some or other years ago which let partnerships are more conversational than others. Edrich and Steele left each other to get on with their own business, and between tea and a close finish looked remarkably unlike getting out.

Mallett, unused under Saturday's grey skies, bowled more than any yesterday. He must have hoped to turn the ball more than he did. Walker, so busy on Saturday, was less effective in the sun, though around 40 in the afternoon, though around 40 in the afternoon, though around 40 in the afternoon.

Thomson was very fast, Lillee not quite as straight as usual; Walters, with reputation as a fast bowler, had three overruns towards the end, and Ian Chappell, though he beat Edrich with one blazing googly, was

rather costly. By the time he went off to act as host at his side's end-of-tour party Chappell could have been wondering whether, after all, he had been right to put England in again.

AUSTRALIA: First Innings, 532 for 9 (1st day).
S. 177, M. 177, W. 177, G. 177, B. 177, C. 177, D. 177, E. 177, F. 177, H. 177, I. 177, J. 177, K. 177, L. 177, M. 177, N. 177, O. 177, P. 177, Q. 177, R. 177, S. 177, T. 177, U. 177, V. 177, W. 177, X. 177, Y. 177, Z. 177.

ENGLAND: First Innings, 341 for 1 (1st day).
S. 59, M. 43, W. 73, G. 92, B. 39, C. 52, D. 52, E. 52, F. 52, H. 52, I. 52, J. 52, K. 52, L. 52, M. 52, N. 52, O. 52, P. 52, Q. 52, R. 52, S. 52, T. 52, U. 52, V. 52, W. 52, X. 52, Y. 52, Z. 52.

ENGLAND: Second Innings, 179 for 1 (2nd day).
S. 179, M. 179, W. 179, G. 179, B. 179, C. 179, D. 179, E. 179, F. 179, H. 179, I. 179, J. 179, K. 179, L. 179, M. 179, N. 179, O. 179, P. 179, Q. 179, R. 179, S. 179, T. 179, U. 179, V. 179, W. 179, X. 179, Y. 179, Z. 179.

Yorkshire will need to take risks

By Gerry Harrison

Yorkshire, with 19 wickets in hand, are five runs behind Northamptonshire.

With the swallows gathering forces, and rivals gathering points, Yorkshire are running out of time and opportunities. Five Boycott's crusade a happy ending by breasting the championship cape first. Five bonus points and no clear advantage from a day in which 19 wickets fell is not enough. It will need a heap of aggression and even risks, normally not part of Boycott's nature, if they are to keep themselves in the running for their one remaining fixture.

In 18 awkward minutes batting last night they had no time to start the battle yet time enough to lose it. During the day they, like the visitors, had suffered from the effects of heavy weekend rain which gave the batsmen plenty to think about and the spin bowlers plenty of opportunity. Their fielding was sharp and some of their catching outstanding, particularly a slip catch by Hampshire who launched himself high and wide to the right to dismiss Willey. Today, however, we must expect to see a lot more skills with Boycott ready to take the responsibility.

In terms of detached enjoyment there are many worse ways of beginning the week. The sun shone warmly and for much of the day the weather was ideal for the wicker like butterflies around a butterfly bush. The spin bowlers of both sides, as if surprised at the unusual heat, took time to find line and length and the off spin bowler Cope eventually took the honours for consistency with his 37.5 overs. All but seven of these were conservative and he bowled for a three-hour spell. Yet he too threw down play which made his close in the outfielders take rapid evasive action.

Carrick, his partner for most of the day, was more erratic. For example he was out for an excellent flighted delivery and followed that with one wide down the leg side out of reach of bat. Carrick's dry, dry, dry, when he was at his best, just after tea, with Northamptonshire 135 for five, Carrick dislocated the joint of his left arm and was sent off to hospital where he was due to have it tweaked under anaesthetic last night. He might have been a better batsman.

Bedi's five wickets came in a much shorter spell when the wicket was at its damndest. He, when the batsmen were in a full of fun and cunning with only Bairdow treading him without

respect, sending him for three sixes and two fours.

It has been a mixed match for Yorkshire so far. He came in at 102 for six and with Hampshire put on 59 in half an hour. Driving of Bedi over long-on, one on to the pavilion roof, had authority and confidence about it. Unlike some of his earlier colleagues, and his first mistake was his last, playing back to one which Willey pushed up to him. Behind the wicket, however, he missed a simple stumping chance off Cope's bowling which could have removed Willey for 20 at a time when Yorkshire were struggling.

Virginia, every day looking more like a Roger Kirtpatrick with hair and a hat, was the pick of the Northamptonshire batting which was not for the first time. Filled too easily. In the end they had the casual approach and good eye for the ball. The innings of Virginia played strongly off his legs throughout and also emphasized how Yorkshire's attack improved and indeed how the wicket seemed to burst into later life. The Northamptonshire opening batsman had looked comfortable for an hour and a half and then struggled for 40 minutes for three, before holding out in frustration.

YORKSHIRE: First Innings
S. 179, M. 179, W. 179, G. 179, B. 179, C. 179, D. 179, E. 179, F. 179, H. 179, I. 179, J. 179, K. 179, L. 179, M. 179, N. 179, O. 179, P. 179, Q. 179, R. 179, S. 179, T. 179, U. 179, V. 179, W. 179, X. 179, Y. 179, Z. 179.

YORKSHIRE: Second Innings
S. 179, M. 179, W. 179, G. 179, B. 179, C. 179, D. 179, E. 179, F. 179, H. 179, I. 179, J. 179, K. 179, L. 179, M. 179, N. 179, O. 179, P. 179, Q. 179, R. 179, S. 179, T. 179, U. 179, V. 179, W. 179, X. 179, Y. 179, Z. 179.

YORKSHIRE: Third Innings
S. 179, M. 179, W. 179, G. 179, B. 179, C. 179, D. 179, E. 179, F. 179, H. 179, I. 179, J. 179, K. 179, L. 179, M. 179, N. 179, O. 179, P. 179, Q. 179, R. 179, S. 179, T. 179, U. 179, V. 179, W. 179, X. 179, Y. 179, Z. 179.

YORKSHIRE: Fourth Innings
S. 179, M. 179, W. 179, G. 179, B. 179, C. 179, D. 179, E. 179, F. 179, H. 179, I. 179, J. 179, K. 179, L. 179, M. 179, N. 179, O. 179, P. 179, Q. 179, R. 179, S. 179, T. 179, U. 179, V. 179, W. 179, X. 179, Y. 179, Z. 179.

Seven marked men in Sussex line-up

By Peter Marston

SOUTHAMPTON: Sussex with seven second innings wickets in hand need 9 runs to avoid an innings defeat by Hampshire.

Hampshire polished off 10 of Sussex's batsmen yesterday. The remaining seven will be marked men today when Hampshire will attempt to take the game to their own terms.

An awesome total of 451 runs stood before Sussex as Barclay and Parsons set out for the crease on a cool, overcast morning. Indeed, the batsmen's initial task, that of scoring 352 runs to avoid an innings defeat, was a formidable task by itself. Sussex, who had lost Groomer on Saturday evening while making 50 for one had taken their score to 151 for four by the end of the morning's play. But, along the way, Sussex had lost another three wickets, Barclay at 70, in the twenty-eighth over, Graves at 125 in the thirty-first over, and Barber at 153 in the sixty-first over.

Barclay had been nicely taken at square short leg off bat and Parsons set out for the crease defensively to a ball from Sussex, but both turned and lifted was splendidly caught by Greenidge, who darted forward from the gully and dived to make his catch in front of the stumps.

So, at lunchtime, Sussex, who seemed to have moved forward and back the same speed, were 340 runs behind. Sussex, now the primary objective. During the interval Hampshire awarded a good season's 616 runs to 42 first class wickets. For Sussex, Rice's success in the first innings was a real bonus. He had a good run from his position on the field.

Alas, he made only a small mark on the game yesterday. Making half a dozen catches, Greenidge was indisputably the star.

Parsons' excellent innings was marred now and again by a false stroke, but there had been some good ones too. Especially those among 12 boundaries. At 253 for four, Sussex's innings had been little doubt as to whether they would be obliged to follow on. If the circumstances were not exactly unique, it was a familiar story. A telephone call to Lord's set the matter, and at 3.40 Barclay made his second trip to the crease, this time in company with Groomer, with Sussex banning their second innings requiring 242 runs to avoid an innings defeat.

HAMPSHIRE: First Innings, 501 for 5 (1st day).
S. 179, M. 179, W. 179, G. 179, B. 179, C. 179, D. 179, E. 179, F. 179, H. 179, I. 179, J. 179, K. 179, L. 179, M. 179, N. 179, O. 179, P. 179, Q. 179, R. 179, S. 179, T. 179, U. 179, V. 179, W. 179, X. 179, Y. 179, Z. 179.

HAMPSHIRE: Second Innings
S. 179, M. 179, W. 179, G. 179, B. 179, C. 179, D. 179, E. 179, F. 179, H. 179, I. 179, J. 179, K. 179, L. 179, M. 179, N. 179, O. 179, P. 179, Q. 179, R. 179, S. 179, T. 179, U. 179, V. 179, W. 179, X. 179, Y. 179, Z. 179.

HAMPSHIRE: Third Innings
S. 179, M. 179, W. 179, G. 179, B. 179, C. 179, D. 179, E. 179, F. 179, H. 179, I. 179, J. 179, K. 179, L. 179, M. 179, N. 179, O. 179, P. 179, Q. 179, R. 179, S. 179, T. 179, U. 179, V. 179, W. 179, X. 179, Y. 179, Z. 179.

HAMPSHIRE: Fourth Innings
S. 179, M. 179, W. 179, G. 179, B. 179, C. 179, D. 179, E. 179, F. 179, H. 179, I. 179, J. 179, K. 179, L. 179, M. 179, N. 179, O. 179, P. 179, Q. 179, R. 179, S. 179, T. 179, U. 179, V. 179, W. 179, X. 179, Y. 179, Z. 179.

Wembley to be a stage for three home title

By Neil Allen

Boxing Correspondent

Three British boxing championships will be staged at the Empire Pool, Wembley, on September 20. Benny Johnson will defend the heavyweight title against Richard Dana. Kevin Finnegan and Alan Minter will box for the middleweight title, left against Benny Stirling, and Maurice Hope will defend the light-middleweight championship against the man from whom he won it, Larry Paul.

These programmes, which will also include international matches for John Stracey, the European welterweight title holder, and Vernon Solas, the British featherweight champion, may seem somewhat cramped with some previous promotions at Wembley. But I believe it is vital to the health of British boxing that national championships should be contested regularly.

That is also the opinion of Ray Clarke, the general secretary of the British Boxing Board of Control. Yesterday he told me: "We once had world British championships last season out of 10 weights and that is not enough. Some of our leading boxers were involved in European title bouts or fighting for world championships. But we should have at least a dozen British championships every year."

Clarke hopes that this promotion by Harry Lewis, which will be staged a few hours before Muhammad Ali defends the world heavyweight title against Joe Frazier in Queens City, will

recieve strong public support and cannot be other occasion when a champion is crowned.

Britain's heavyweight champion, Benny Johnson, and Dana before, in October, had a grueling run for the right to fight McAlinden for the title who was conceding weight, was knocked out both times. His inside his mouth, knocked out Dana round. Johnson last described the bout as a "Hug" was the welterweight champion when he knocked eight rounds. This briefly moved up a middleweight and a challenge to the weight title. Now he decided to stay in class and it he has for the European weight.

Minter, a bronze medalist for Britain in 1964, has had more than disappointments and a including frequent eyes. But now he is his patience with his at a national title. His part will be to that his somewhat showing against Gail France, when he is to beat the European weight.

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Football

FA to inquire into Luton disturbances

Two Croker, the Football Association's secretary, said yesterday before he left with the England team for Sweden that he would be making an inquiry into the crowd scenes and disturbances at Luton on Saturday.

Luton on Saturday, the players were attacked on the pitch by spectators near the end of Luton's 3-0 victory over Chelsea. Mr Croker said he would be looking into the matter, but he cannot make any official comment until he receives the referee's report on the incidents. It is always difficult to get the truth from the players, but he said he would be from the visiting club. The whole incident has distressed not only the FA and the two clubs concerned but everyone who has a genuine interest in the game.

Chelsea held a board meeting yesterday to discuss the incidents in which the Luton goalkeeper, Keith Barker, was struck by two spectators. The invasion of the pitch, minutes from the end and despite the Chelsea manager, Eddie McCredie's, suggestion to abandon the game and award Luton the points, but he insisted on finishing the match.

England's new captain, Francis, also Currie are expected to be fit for the match in Switzerland. Francis, who has been a strained hamstring and Currie has an ankle injury.

Davies to return

Roger Davies, who underwent a "catapult" operation, will be starting for the Derby County team in the match against Luton this week.

Brighton alter fixtures

Brighton and Hove Albion have rearranged two of their fixtures. They will play Watford on Wednesday, September 10, instead of March 31 next year, and Bury on Monday, November 11, instead of Tuesday, November 5. Both matches will start at 7.30.

Yachting

Harris profits from shills and disqualifications

By John Nicholls

Several different boats held the lead at different times during yesterday's second race of the Solihull Regatta, but it was Harris who won it, after a series of shills and disqualifications.

The race, for the Beecher Cup, was sponsored by Benson and Hedges, was frustrating for many competitors. First, the wind was from the north-east, the worst for the Solihull Regatta. Secondly, it was patchy. Secondly, several helmsmen, including two of the eventual leaders, were disqualified for mismanaging the five-minute rule at the start.

Among them was Peter Russell, winner of the first race on Sunday and present holder of the championship. Russell worked steadily through the fleet to lead at the fifth stage. He was still leading at the final stage, but was caught out badly by a wind-shift on the final beat and crossed the finishing line in fourth place.

It did not matter, however. He received a good start and credit with points for equal last. At this stage of the week the overall points situation is insignificant, but it is worth noting that John Harris, a stalwart of the class for 21 years, has the best two fourth places.

He was in one of the top three places when the race was first held, when it was from 14th to sixth. He has won it on other occasions when Christopher Ellis, who has won it twice, was disqualified. Harris's position of the win was changed for the shills and disqualifications, the lesser ships that of the place changes. Harris's position of the win was changed for the shills and disqualifications, the lesser ships that of the place changes.

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Lancashire v Notts

AT MANCHESTER

Lancashire: First Innings
S. 179, M. 179, W. 179, G. 179, B. 179, C. 179, D. 179, E. 179, F. 179, H. 179, I. 179, J. 179, K. 179, L. 179, M. 179, N. 179, O. 179, P. 179, Q. 179, R. 179, S. 179, T. 179, U. 179, V. 179, W. 179, X. 179, Y. 179, Z. 179.

Lancashire: Second Innings
S. 179, M. 179, W. 179, G. 179, B. 179, C. 179, D. 179, E. 179, F. 179, H. 179, I. 179, J. 179, K. 179, L. 179, M. 179, N. 179, O. 179, P. 179, Q. 179, R. 179, S. 179, T. 179, U. 179, V. 179, W. 179, X. 179, Y. 179, Z. 179.

Lancashire: Third Innings
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Lancashire: Fourth Innings
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Lancashire: Fifth Innings
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Lancashire: Sixth Innings
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Lancashire: Seventh Innings
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Lancashire: Eighth Innings
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By Nicholas Keith

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The challenge of world peace that is facing 600 MPs in London this week

Bernard Levin

All firm, chaps, c
the TV front

□ About 1,500 Jewish demonstrators protested in London on Sunday against an invitation to the Palestine National Council to attend this week's conference of the Inter-Parliamentary Union. In this article the chairman of the Union's British group explains the background and aims of the organization.

Some 600 MPs from more than 70 countries will be present when the Queen opens the sixty-second annual conference of the Inter-Parliamentary Union in Westminster Hall on Thursday. Although hardly the best known, the Inter-Parliamentary Union is one of the oldest international organizations, and it is the only one in the world that provides an international forum for members of parliament who are not members of their respective governments.

The Inter-Parliamentary Union was born in 1889, when two men—a British MP, Randal Cremer, and a French député, Frédéric Passy—concerned at the absence of any body for the settlement of international disputes through arbitration, called the first Inter-Parliamentary Conference in Paris. Nine countries sent delegates to the conference. From this modest beginning, and with very little governmental encouragement, these two men built up an organization which gathered within itself

representatives of most of the parliaments of the world. In its early years, it was largely instrumental in establishing the Permanent Arbitration Court in The Hague and in persuading the United States' President to take the initiative in calling the second Hague Conference for Peace. After the death of Cremer and Passy, the Inter-Parliamentary Union continued to grow and played a significant part in winning the acceptance of national parliaments for the implementation of the Briand-Kellogg Pact and in the development of the League of Nations between the two world wars.

Ever more complex problems

It is a truism to say that since the Second World War the problems affecting peace, security and economic relations between nations have become ever more complex and difficult. In theory, there is general acceptance of the proposition that the world's problems can be resolved only by agreed international action and that, for their solution, international organizations must be set up. As a result, inter-governmental agencies have proliferated.

In practice, however, in almost no field of human endeavour has international cooperation succeeded in creating a pattern of acceptable international behaviour that

even begins to look like overcoming the problems besetting mankind. Most of the world organizations continue to rest on insecure foundations. Yet because they remain the only hope that peace and goodwill may be possible among the nations, every organization that exists to increase knowledge and understanding between different nations needs to be cherished and encouraged. It is in this context that the work of the Inter-Parliamentary Union is to be regarded, for it is almost certainly the most significant of the non-governmental organizations devoted to these ends.

At the London conference, the world's problems will be discussed in the nearest thing there is to a free world parliament, presided over by the discipline of government.

It is true that none of the decisions reached by the conference will be binding upon governments, but the indirect influence of the Inter-Parliamentary Union has never been negligible. Its conferences have always been a sounding board of parliamentary opinion and cannot be ignored. Even within the past year, the Inter-Parliamentary Union conferences on peace and security in Europe have helped to bring about the decisions of the parallel governmental conferences on the same subject that have just ended in Helsinki.

What is perhaps more important is that such conferences provide almost the only occasions for dialogue between MPs who represent the different political and ideological systems of the world.

The contacts made in such conferences may be pursued

by the other aspect of the day to day activity of the union, that of visits arranged for members of different national assemblies to other countries.

But aspects of the work of the Inter-Parliamentary Union have been subject to increasing criticism in Britain in recent months, ranging from trivial comment about the cost of the receptions that delegates will attend in London to severe censure of the British group for permitting entry into Britain of representatives of nations or organizations of whom the critics disapprove.

Of the first criticism, little need to be said. In all conferences, there is a cost. But only the purblind will see nothing else. The tinsel wrapping should not devalue the importance of the subject matters discussed in the conference, nor to denigrate the integrity of those who have come to it with serious purpose in perilous times.

More serious is the criticism of the British group for accepting the presence of the Palestine National Council as observers at the London Conference, and the earlier criticism that was directed at the group for its invitations to the Czech and Soviet MPs to visit Britain as its guests. The very fact that such criticisms can be made by responsible people underlines clearly the problems with which the Inter-Parliamentary Union, but almost all other international organizations, and indeed all governments, are now faced in international affairs.

Since 1945, the pattern of international relations has

greatly changed. The changes have often been accompanied by painful upheavals that have left behind them continuing hostility and resentment between the nations involved in them. Many of the changes appear irreversible, at least in the foreseeable future, except by war. International organizations, if they are to survive and to preserve peace, have to recognize these realities and to react realistically to them.

The logic of this, as it affects the Inter-Parliamentary Union in its international relations with other parliaments, demands that it keeps its lines of communications open, even between countries whose interests appear to be at odds. In this respect, the Union behaves differently from other international organizations, including the United Nations.

A refusal to face realities

Even so, by trying to maintain balance in its dealings with all nations, new tensions are in turn created. It is not easy to accept the concept of universality if that involves toleration of relationships with people whose conduct is offensive to our sense of right and justice. It is this deep-rooted emotion that appears to justify those who have so strongly attacked the British group for inviting as its guests representatives of regimes whose behaviour it regards as a moral

affront and those others who regard the group's acceptance of the Palestine National Council as observers at the London Conference—even under protest—as a betrayal of principle. Nevertheless, it must be recognized that both protests are, in the last analysis, nothing more than a blind refusal to face up to the realities of the present international situation. If the primary duty of international organizations, in present circumstances, is to preserve peace through international cooperation, then the only way in which they can do so is through constructive dialogue and action within the framework of the existing international situation.

To refuse to meet those of whom one disapproves will add to the problems of communication, not solve them. To carry opposition to the presence of observers whom one believes to have been invited contrary to the rules, to the point of preventing the conference being held at all, is to betray the greater responsibility it has to the organization of which the British group is only one part.

Were that example to be widely followed, the art of the group felt aggrieved by decisions reached by the parent body, the end result could well be to destroy the future of one international organization after another at a time when, as never before, the urgent need is to strengthen every instrument that may serve to preserve the fragile peace of the world.

W. T. Williams

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Quiet success for the guardians of industrial harmony

The Advisory, Conciliation and Arbitration Service is one year on today, and true to its low profile image it has celebrated the birthday with virtually unnoticed. But its tongue-twisting title will be on the lips of many delegates at the rostrum of this week's Trades Union Congress—not surprisingly, because in some areas it is handling up to four times as much work as the old conciliation service of the Department of Employment, from which it took over last September.

The first myth it has shattered is the one that grew up around the failure of the TUC-CBI voluntary arbitration machinery: that there is no appetite among employers or unions for independent adjudication of industrial disputes. ACAS has been called in to handle labour relations problems in virtually every industry and in all parts of the country. The path to its door in Page Street, Westminster, has been beaten by workers as diverse as Independent Television News journalists and the striking state leaders of Newmarket, and only one employer has politely refused to have anything to do with it.

Fortunately, because the chairman, Mr Jim Mortimer, is a different man, the figures tell the success story. With a staff of 500 in nine offices around the country, the service is handling almost exactly 200 disputes every month, more than twice the total previously dealt with by the Ministry, and with only about 20 per cent more staff. Approximately half the requests for intervention come from employers, and of the rest about half come from trade unions and the other half from appeals. In a little more than 3 per cent of cases, ACAS officials intervene on their own initiative.

Of the disputes brought to the notice of the service, 60 per cent concern pay, 30 per cent concern working conditions, and the rest a wide range of grievances including inter-union demarcation, holidays, workshop discipline and redundancy. The disputes experienced are spread throughout industry, though some—often not the ones traditionally associated with labour problems—call on the service with greater regularity. One-sixth come from engineering, and about one-tenth each from catering and transport; but textiles and clothing have accounted for more than 100 disputes

in the past year, distribution more than 150 and insurance, banking and professions another 130. The view that strikes are largely confined to motor and engineering workers is not borne out by the facts.

The caseload of the service is usually in inverse proportion to the level of unionization in an industry. The higher the level of unionization, the more likely an industry is to have its own satisfactory machinery for settling disputes. For instance, ACAS has yet to be called into the mining industry. The private sector is its best customer, particularly the less well-organized sections, which could explain the relatively high incidence of cases in fields such as distribution and catering.

"We are no substitute for good collective bargaining machinery," Mr Mortimer says. "We always encourage people to find their own way to a solution, and we encourage them to develop good machinery for their own problems." It is in the field of arbitration that ACAS has made its greatest impact in the first year, handling 25 cases a month, or nearly four times as many as the Department of Employment did. No party has yet rejected an arbitration, "though we came pretty near once".

The most likely area for a greater workload is unfair dismissal. It is already expanding rapidly, and will accelerate further as ACAS becomes a statutory body early next year when the Employment Protection Bill reaches the statute book. The service will then have a statutory obligation to conciliate in a much wider range of individual rights, from maternity leave to time off for trade union work.

In the past year, the annual rate of alleged unfair dismissals brought to the service has risen from 20,000 to 30,000. In half the cases, the worker has been given a voluntary settlement without going to an industrial tribunal, or has been persuaded that he did not have a case. ACAS failed in about one-third of the cases, and 5,000 are still being processed. Most of the unfair dismissals come from smaller firms, again particularly where the industry is badly organized, and often the worker takes some time to realize that he (or she, for 20 per cent of the cases are women) may have a case against his employer.

The advisory work has continued apace, with about 6,000

requests for guidance, approximately the same as the Employment Department handled, and the inquiry work taken over from the now defunct Commission on Industrial Relations is also picking up. The Royal Commission on the Press has asked the service to undertake a long-term investigation into labour relations in the national and periodical newspaper industry.

Clearly, independent organizations like the conciliation service live or die on the attitude and attitudes of both employers and unions. We have had our failures as well as our successes, but we are able to help in the majority of cases," Mr Mortimer says. In fact, the success rate is about 70 per cent.

The critical test will come this winter, when the 16 pay rise limit will come into operation and unions, which could gain a name as collective bargaining is suspended for a year. The ACAS governing council—three employers' nominees, three members of the TUC General Council—three academics and the chairman—does not want the service to be a policeman for this (or for that matter, any other) incomes policy.

"Our council take the view that we are an independent body. We are not interpreters of the incomes policy of the day. We are not the people who are responsible for enforcing it, though we do take it into account in our work. If someone came to us and asked us to arbitrate on a claim and an offer which were clearly outside the incomes policy—say £10 or £11—we would decline," Mr Mortimer says.

The ACAS will shortly be launching a kind of trumpet in brief explanatory leaflet being circulated in libraries, post offices, labour exchanges and the like so the general public can get an idea of its work. But from the figures so far it is clear that it has already established itself. The final criterion of judgment for a body of this sort is whether it will survive the political upheavals that follow a change of government. On the very sinister score so far it would seem to be doing well. It is one of the few bodies that have been set up by any new government to dismantle the service.

Paul Routledge

Labour Editor

Is the Baader-Meinhof trial making a sham of justice?

The extraordinary first phase of the trial of four alleged terrorist leaders in Stuttgart, West Germany, which resumes tomorrow after a day's recess, is about to end. The trial began 15 weeks ago, but so far not a scrap of evidence has been examined and not a single witness has been heard.

Almost the whole of the court's time has been taken up with unprecedented legal wrangling arising from a series of procedural motions made by the team of defence lawyers. These, like the unique circumstances surrounding the trial since long before it began, have served to impose a considerable strain on the credibility of West German justice, and the case has established itself as the most important legal proceeding on German soil since the war crimes trials at Nuremberg.

The accused are Herr Andreas Baader, aged 32, Frau Ulrike Meinhof, 40, Frau Gudrun Ensslin, 34, and Herr Jan-Carl Rasch, 30. They are charged with five murders, 54 attempted murders, a series of bombings and robberies and with forming a "criminal association".

Towards the end of last week's proceedings, the five judges of the Stuttgart High Court handling the case solemnly ruled that they were "not in a position to proceed with the trial" because the accused had not been given a fair trial. It would have been more than merely surprising had they found otherwise after 15 weeks. But the "fair trial" question is the central issue in this case, and might well have merited more than the three sentences devoted by the bench both to stating and to justifying its ruling.

This was handed down in response to a four-hour petition to quash the case on the ground that a fair trial had been rendered impossible. The motion was drawn up and delivered five days before the trial opened, he referred to Herr Baader and Frau Meinhof by name as "terrorists", included among the demands for their release had been the Stockholm gang.

"Among the 26 names was the hard core of the criminal Baader-Meinhof association, at whose door numerous murders, attempted murders, bombings and bank raids were to be laid. Those responsible for these had, until the Stockholm crime, at least nine dead and more than 100 injured, some seriously, on their conscience. A release of these criminals,

some of whom are still awaiting their trial, would have meant an unimaginable test to breaking point for the security of us all and for the State," the Chancellor said. (My italics)

The foreign observer also finds ground for concern in the way the case is being conducted, just as most West German politicians do not appear to have mastered the art of being opposed cases without being drawn into personal abuse, as the lawyers in this case—judges, prosecutors and defenders alike—regularly "lose their cool".

It is no fault of the presiding judge, Dr Prinzinger, that the law has failed to provide him with the awesome and irresistible authority of one of Her Majesty's Justices. Without it, he cannot cope with insulating defendants or truculent defending lawyers.

West German law recognizes no such offence as "terrorism" (though thanks to this case it soon will, as one of many disturbingly timed legal amendments prepared with this trial in mind will introduce it into the criminal code). Strictly speaking, therefore, the trial is a criminal one. But the debate outside the court, conducted at a deafening pitch with no regard for the sub judice principle, and the nature of defence petitions inside the court have combined to make it a political case.

As such, it has become an unhappy experience for West German justice. Nobody in West Germany seems to doubt that, unless they are "liberated", die or go mad, the four accused will be (a) found guilty, and (b) given life imprisonment.

This universal presumption of guilt has the hands of the court in moral terms, and brings justice into disrepute. It is a bitter irony that the very freedom of speech which is both prized and entrenched in West German democracy has allowed the case to become a platform for the expression of the presumption of innocence.

This week should, however, see the end of the defence petitions and other preliminaries, so that next week at the latest we shall at last begin to discover the nature of the evidence against the accused.

Dan van der Vat

The Times Diary

A threat to all we hold most dear

P. H. Simplicissimus, my conspiracy correspondent, reports: A secret organization of immortals, with a secret policy, shadowy officials and a strict code of discipline, is operating inside the Labour Party. Dedicated to undermining the party, the country and ultimately the organization is so secret that some members are not sure whether it exists.

I can reveal, however, that it is called YELP (Youth for Extreme Left Policies) and that its chief organ is *Arrogant*, a secret duplicated broadsheet with a large circulation in the West Midlands. *Arrogant* pretends to support the Trotskyists (followers of Jim Dwyer), the militant picketing in Buenos Aires in 1938, but it is in fact masterminded by Len Groat, a shadowy figure. When I asked Groat about YELP, his solicitor replied, "No such organization has ever existed, our client has never been a member and moreover he resigned from it several years ago."

However, I have proof that YELP exists. It is not to be confused with WHELP (Workers for Hounding Everyone from the Labour Party) led by Vanessa Cosgrave, the tall Irish actress (or even with HELP (Home for Exhausted Labour Politicians) which operates from a field near Dunstable. These are both neo-Trotskyist outfits with their own separate organs.

The documentary evidence for YELP comes in this letter to Jim Gorbals, a Scottish Left-winger, who flirted with the extreme left in the early sixties but left to join the Young Conservatives during the great schism of 1967. It reads: "All YELP members are now instructed to pay by direct debit instead of banker's order and we regret to inform you that your bank, the State Bank of Ukraine, has refused to accept your new instructions. As you know, we are busy here planning to undermine the world, and we have no time to deal with administrative details of this kind. Love Boris." The technique of infiltration is to move a team of 10 or 20

mobile activists into volatile areas. (There is known to be a team operating now in Woking.) They concentrate on disrupting the feeling and establishing their position by organizing controversial jumble sales before moving on, leaving in their wake a trail of destruction and misery, and slogans like "Wilson is a Moderate" chalked on lavatory walls.

I am not really sure what all this adds up to, but it sounds very sinister and exciting, and those basic freedoms that Reg Prentice and I hold most dear.

Game plan

Sir Ove Arup, the civil engineer who made the Sydney Opera House stand up, has taken time off from international engineering projects recently to design three new chess sets and devise a new notation for the game.

He distinguishes the pieces with simple geometrical symbols which can easily be hand-written. They are used in the notation to avoid all that confusion about king's knight and queen's knight and the necessity of playing the game right through from scratch if mistakes do arise. "It is because I am one of the duffers that chess books are written for that I understand the need to give more information when setting

down the moves in a game", he says. Arup's first sets are on display at the Design Centre this month. One packs into an elegant "chess tower" formed by the folding board, another is simply converted from a backgammon set, and the third can be worn as a necklace. "But my first idea is that chess sets should be for playing chess with. The traditional designs can be a pleasure, and are very clear, but they contain illogicalities and when they are mass produced in plastic or cheap wood they become vulgar and rough."

Arup has seen many of his pet schemes shelved, and does not expect his system of notation will be adopted for 20 years or so. "But there is something to me in studying the problem, getting to know the flaws and failures, and getting the right result."

The black pieces in the Arup chess notation.

Low drama

The 107th annual Trades Union Congress began in Blackpool yesterday with a man on the boring conference he had ever been to, and was lively to get worse. As the five-day marathon lumbered off on its first session, reports Alan Hamilton, it held promise of living up to that expectation.

This year's Congress suffers from the lack of a star attraction; the TUC has not thought it necessary to invite Harold Wilson, nor Tony Benn, nor any other cabinet heavyweight to deliver a lesson on good behaviour and responsible citizenship. Congress officials say that it would have been too heavy-handed to invite the Prime Minister to defend his 55-day limit when this most serious of organizations is certain to support it anyway. The crowd will have to be content with Fred Mulder, the year's chairman of the Labour

party, who is not expected to see the Winter Gardens affire. Delegates are concentrating their speculations on who will support the motion calling for a working women's charter and equal opportunities for women in industry. Will the postal workers agree to post-women carrying the same weight of sack as men? Will Joe Gurney allow women at the coalface? And will we see female splendours in the London docks?

Conference week began with the traditional cricket match between the TUC General Council and the industrial correspondents, which gives the Sunday papers something to take pictures of.

Suitably limbered up, union leaders are then ready for the heavy round of parties. There were three on Sunday night. The building workers gave a thinly attended one upstairs in the Imperial hotel, while downstairs everyone was crowding into the Transport and General Workers' reception. Half way through the evening most re-paired to a restaurant in the centre of town where one of the civil service unions had laid on a sumptuous cold buffet.

At another hotel the mine-workers were having a noisy private thrash of their own, and were being selective in their invitations. This was a pity, as their general secretary

Lawrence Daly, a fine singer, frequently entertains such functions with the songs of Burns and one of the best cabaret turns in the entire union movement.

Delegates arriving at the conference hall yesterday morning found their way impeded by a barricade of elderly but sprightly women singing "Bring back my Bonus to Me". They handed out leaflets demanding improvements in old age pensions and harangued union leaders.

Nearly a group of women from Liverpool were humming down the round figure of Boris Averanov, the Russian fraternal delegate, to hand him a letter of protest about imprisonment of Soviet Jews. They did not find him, but cleverly discovered his hotel, obtained the key to his room, and left the letter on his bed with a bunch of flowers.

Sing-song

Cordial relations are now restored between Leonard Bernstein and the Edinburgh Festival Chorus. Bernstein, thinking he was doing everyone a favour, had tentatively arranged to bring the Vienna Boys' Chorus to Edinburgh to perform his Chichester Psalms, which he was to conduct with the London Symphony Orchestra. The Vienna Boys' had per-

formed the work a ago at Salzburg in The Austrian Goro willing to pay Bernstein to perform. Bernstein would not all additional costs.

What Bernstein to know was that the Festival Chorus had at work rehearse Chichester Psalms a performance. They arrived when the boys had been announced by Festival authorities as a gesture of truly city and magnificent chorus turned the o and offered to host Vienna Choir during

Bernstein heard o understanding and regretted it. Then he Val Chorus and the V Chorus became his Japanese antiques through the summer. The boys will stay and the Edinburgh will resume their perform the psalms in steln's direction.

The new volume c tables published to that more than a m are housewives

Annual financial and economic review 2

THE BRITISH ECONOMY

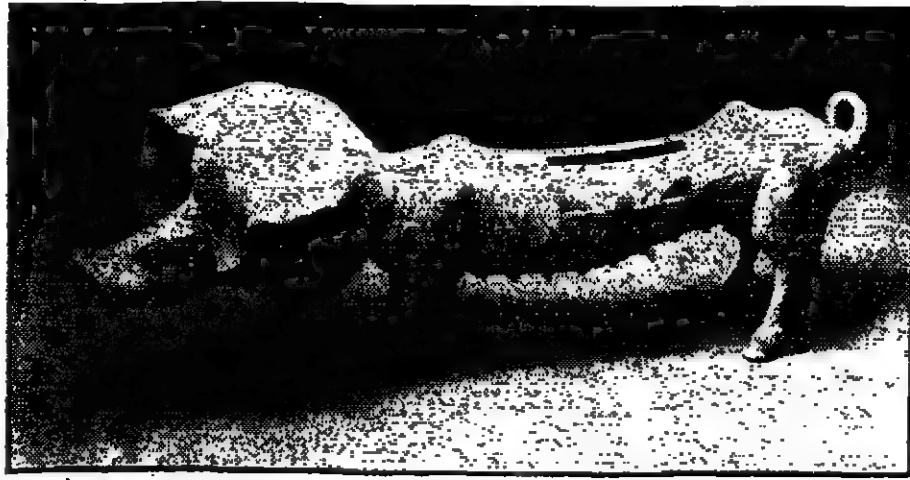
Latest instalment of a dilemma

by Peter Jay

A primary issue of the year 1975 is simply how long and how far the Chancellor can resist pressure for reflation in the face of the deepest recession in the history of the British economy. It has been an oft-repeated theme of these past few years that the stability of Britain's (and indeed the rest of the world's) political economy is being progressively eroded by an internal contradiction.

Over the past 12 months the Chancellor has begun to face the latest instalment of the dilemma; and it will grow progressively more difficult over the next 12 months. If past form had been followed, then the Government would have given up the struggle against inflation in the middle of this year, just as Mr. Maudling did in 1963, Mr. Wilson in 1967 and Mr. Barber in 1971.

It is a measure of the severity of Britain's present economic situation that the Government has accepted the fact that the long-term acceleration in the inflation rate is the greatest single threat to the country's economic stability. But every day that it is withheld makes the pressure to give way stronger. The next day as the recession deepens and unemployment rises.



Vince Farrell/Malcolm Warrington

But it certainly is not going to happen under the policies of any imaginable British government. If it does not happen, then either inflation accelerates or unemployment rises to what ever levels are necessary just to outweigh the inflationary tendency of real levels of reward in excess of the value of labour's product.

It may be, contrary to common supposition, that the level is not nearly as high as has been assumed, that instead of unemployment in the low millions for the rest of the decade and beyond it would be sufficient after the initial shock of the by now inevitable 1,500,000 unemployed in 1976 if the level fell back to and remained at about a million.

It may further be that such a level would be tolerated without either a breakdown of the political system or the automatic defeat at the polls of the government responsible. If that were so, then the alleged contradiction in our political economy would be seen not to exist. Indeed, the best policy in an almost intolerably harsh situation is precisely to trust that the tiny chink of light is real.

himself constantly proclaims as the proper and foreseeable cure for Britain's recession. The last is perhaps the least likely over the next 12 months. The recovery of the world economy from the 1974-75 recession is going to be slower than most people supposed six months ago. Moreover, if and when it does threaten to stimulate British exports powerfully enough to make a real impact on the level of economic activity in Britain, the Chancellor will have at hand the discreet and powerfully disinflationary weapon of revaluing sterling—or more probably inhibiting the full degree of devaluation needed to restore competitiveness.

added to the life of the recession 12 to 18 months from now. Since he knows that, while most of his critics do not, he can in practice commit the Government to a degree of deflation which would not be possible if policy actions and their effects were simultaneous. Perhaps the most immediately threatening reflation is the unintentional reflation of bungled financial and monetary control. That is particularly difficult to monitor from the Chancellor's office, let alone from private vantage points.

The Chancellor's statement to Parliament and the Government's White Paper in July provided little solid reassurance. It is still far from clear what the Government's borrowing requirements will be this year, whether the cash limits on pay settlements in the public sector are anything more than an arithmetic estimate of the cost of the £6 a week pay increase limit, and whether a more comprehensive system of cash limits on all forms of Government outgoings in the current year will be established from 1976-77 onwards.

Timing goes awry in year of the social contract

by Paul Routledge

For all the scorn voiced by critics, the widespread refusal to believe in its existence, this has been the year of the social contract. From its humble beginnings in February 1974, as a joint statement of intent on economic problems made by the TUC and the Labour Party leadership, it came to dominate the industrial relations scene soon after Mr. Wilson's general election victory last year.

As an electoral rallying cry, given emotional overtones by the Labour Party, it was a brilliant success. In September, it was brilliantly timed: just before Labour went back to the polls asking for a decisive majority, and ahead of the winter wage bargaining campaign.

Unfortunately the TUC's version of voluntary wage restraint was simultaneously vague and precise. Vague about the right thing—how the movement in the cost of living was to be translated into cash or percentage increases; and precise about the wrong thing—the newly adopted £30 a week minimum wage target which was cynically exploited by some unions to raise all wages, and not just those of the lower paid.

Perhaps the timing, dictated by electoral rather than economic considerations, was a little too smart. It called for a gigantic effort of will from the unions to hold back immediately after the statutory controls of nearly two years' duration had been swept aside. This was not the time when union negotiators let rip on pay claims to catch up with what they feel their members have lost.

If that was not enough, the employers were not parties to the social contract and had no wish to be, because it would be meant to limit by the Government but as an absolute entitlement by the unions, is certain to be endorsed, with suitable warnings of the gravity of the economic crisis, at this week's congress.

Will it work? The failure of the original social contract to meet its not very ambitious target for wage restraint provides many lessons which appear, in part at least, to have been digested in the new version.

With the notable exception of Mr. Jack Jones, union leaders did not slump the country last winter to drive home the message about holding back on pay. This time, the TUC says, it must be different. Great emphasis is therefore being laid on the need to sell the policy at shop floor level.

This anxiety is reflected in the Government's appointment of the Daily Mirror's most adroit communicator, Mr. Geoffrey Goodman, its industrial editor, as head of an amply-funded publicity unit charged with "projecting" the anti-inflation measures.

The most difficult period will come early in the new year, when the miners' present willingness to accept stringent terms of pay and a subsequent fall in their standards of living will be put to the test. Where the miners do not go, few others dare tread, but every new incomes policy throws up an unexpected new challenge.

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However, the line held for a time, as it usually does. The local authority workers and hospital manual staffs benefited greatly from the £30 minimum wage and settled within the restraint guidelines. So did the building workers, who were facing more pressing economic arguments than the social contract—those of growing unemployment.

It failed, as we are becoming accustomed to watching these things fail, because the miners squeezed too hard. After the disastrous failure to get the coal industry away from annual wage control by moving back to pit-based productivity payments—a disaster, incidentally, largely the fault of the negotiating ineptitude of the much-praised "moderates" of the miners' national executive—it was almost inevitable that the miners would demand, and get, more than the social contract allowed.

During the productivity talks, which lasted throughout the autumn, figures of up to £12 a week were bandied about and created expectations in the coalfields that could not be satisfied within the confines of the TUC policy.

Whether from perversity, pusillanimity or simple incompetence, the TUC failed to plug the gap opened up by the miners, and so began the stately procession of public and private sector workers through the breach, starting with the electricity workers, continuing with the London dockers, and ending with the railwaymen.

Of course, the TUC General Council was not ignorant of these developments, but the question of what to do about them was not squarely tackled at the time. May was to have been the crucial month, but all that it produced was a stiff note to affiliated unions on their way to annual seaside conferences reminding them of their obligations under the social contract.

June was equally paralysed as the time for decision, but it was not until July, and even then not until the Government gave the unions a six-week ultimatum—promptly halved—came up with something stronger than the "redevelopment of the social contract" actually took place.

As it now stands, the Government's anti-inflation strategy is still based largely on voluntary pay restraint and it has the backing of most members of the TUC General Council, even

Part III of the Annual Financial and Economic Review—Personal Finance—begins on page 71.

More remarkable than anything Alice found in Wonderland

by Maurice Corina

That fastest growing sector of the British economy, the gloom industry, has never had a better year. It is no pleasure to write such a sentence, let alone bear witness with evidence. Yet there can be no shirking the task.

Industrial output has slumped to three-day week levels, without the spirit of cooperation so evident over those energy-less weeks. The pound sinks in the Western economy while we say farewell to overseas confidence. Unemployment rises as fast as profits fall, while cost inflation savages what capital investment can just be sustained.

Near minority government manages to notch up five major economic statements since March last year, during which time it received 29 applications from companies in need of state rescue. And much more besides.

By far the worst consequence is that British industry, bewitched and bewildered, is in great danger of losing confidence in itself. To such talk, the Prime Minister, who says he is now in charge of industrial policy, responds with an airy dismissal, declaring it all to be smart chit-chat on that cocktail party circuit he seems to keep in his mind's eye while on camera.

Mr Wilson they rue before

history such cavalier dismissal of the very real crisis in which hard-working business executives—and most do work hard—struggle to balance the books, and to make some more besides, to spend on re-equipment. The so-called "gloom-mongers" who sell Britain short are in the main serious-minded people deeply concerned for the future of their country's industry.

They are more likely to have copies of the latest CBI trends survey, order books and deteriorating balance sheets to hand than cocktail glasses.

Industrialists have every reason to be bitter. Last year, a new Government ended the three-day week and the miners' strike and introduced what they called the social contract, first placing a huge new burden of taxation on companies. Anyone who attended the annual dinner of the CBI in 1974 will remember the Chancellor aggressively telling businessmen they were wrong and he was right.

By July he was beginning to regret his words, yet the election did not bring any change of tone. On inflation, Mr Hesley was scathing about the rate of inflation was going to double figures—more to regret.

As an exercise in national self-deception, the social contract, under which we all paid ourselves up to 30 per cent more to protect the unemployed, the sick, aged and infirm (to which Mr Wilson has recently begun adding the one-parent family), may yet rank when it comes to judging who sold the nation and its industry short.

The contract to which the buyers did not baffle has proved no solemn and binding undertaking to stop the severest cost inflation in living memory. Every unemployed man or woman now understands that world wheat prices, the fourfold rise in oil costs, and other material prices by which governments explain factors beyond their control, let alone the consequences yet to be felt by everyone, in or out of work.

The national contract to devalue our take-home pay to cut value-added tax (since reversed) and to ensure social services plunged into difficulty was accompanied by abolition of the Pay Board and the acid Sir Arthur Cockfield and his Price Commission totally at the mercy of his "allowables" and powerless as national inflation was going to double figures—more to regret.

The disillusion of industrialists or social workers under such national economic management is almost incapable of expression. Little wonder that leaders of the CBI found it difficult to communicate their alarm. Imports from textiles to television tubes, from Japanese cars to hi-fi equipment, flooded in, such were the faster pay packets, which we spent and did not save to meet the higher fares, power bills, rents, postage stamps, food prices or whatever now consumes us in retribution.

Alice might have found more material than in Wonderland these long months past. A bakery in Yorkshire has received generous state aid while across the same county the nation's main typewriter factory was shut to let production transfer abroad.

Our Secretary of State urges us to search our consciences before buying foreign, belatedly discovering the merits of import substitution when company after company has pleaded their vulnerability in such diverse spheres as ball bearings, zip fasteners, motor vehicles, aircraft, shipbuilding, audio equipment, shoes and textiles.

Several million pounds are handed to the men who occupied their storage heater and soft drinks factory to carry

on cooperating. The management of Ferranti is publicly abused when forced to hunt Whitehall for help. Respectable men such as Sir Arnold Hall receive material rewards (for cancelling an unprofitable airliner project) and Sir Monty Finniston (for trying to prune an over-managed steel industry now losing £4m a week).

Well might Alice have followed another White Rabbit with pink eyes down the tunnel and into another dreamland where striking workers of a company, recording a near mortal loss, demand state aid, while for whom our First Lord had to ask the President of the United States, no less, to speak to Detroit to ensure that management does not pull out.

But it is not a dream. It is reality in which a state board can within weeks change a forecast £70m loss to £29m.

Companies have held out as long as possible, but their profits decline and tax arrangements changed. Costs have soared on all fronts. Industry has seen the return of extensive share working and been forced to declare many redundancies through plant closures.

Investment programmes, so vital if there is an upturn in the world economy, are now being postponed for better days.

The paper chase before the Price Commission continues. Mr Benn, in his credit, correctly identified the scale of Britain's under-investment and the decline of our manufacturing capability. Unfortunately, he allowed his arguments to become obscured by his well publicized activities in protecting unproductive jobs.

The City's ability to assist industry in difficult times is severely challenged by the one of companies who seek financial support from the Department of Industry, yet not all with the troubles of enterprises such as Porden, Kervin and Alfred Herbert. Many seek some form of state aid, but the government knows that such aid must be undertaken. Even the Bank of England has finally appointed its own industrial adviser after helping institutions deal with the shifting foundations of property, investment, and saving Burnham OH.

Not until the turn of the year did the reality of industrial crisis hit Whitehall. The spring budget was preceded by a more conciliatory tone towards industry, and ministers declaring themselves keen to see a strong, vigorous private sector. Stock relief and exhortations to unions for pay restraint followed. Now, the summer has

brought an emergency conference on wages which is not strictly an industrial matter, but which is not allowed yet to see as it may upset the unions, never mind the employers, who are expected to stand firm against any group arising against the £500 wage ceiling.

The more of Mr Benn from the Industry Department, the more of the new industry Act. No one is quite sure what the legislation will finally say, given the defeats on amendments and the changes made after the wretchedly belated by the House of Commons. The National Enterprise Board is expected to begin its work and profitable companies are still nervous about its aspirations. A considerable document on planning agreements has recently been published.

The national requirement is still the same as it was a generation ago—to get our industry to match its competitors in investment spending and productivity. The Government is now setting the target of halving the rate of inflation over a 12-month period.

It is a long overdue action and the economic indicators will be scanned with critical eyes by clearing bankers. Industry has had a lot of stick, but it now needs some carrot. Inflation is serving to test government-industry relations as they have never been tested before, and year we shall find out whether each side's willingness to bring a new sense of order out of the crisis is hollow talk or not.

Also ahead is the operation of the new industry Act. No one is quite sure what the legislation will finally say, given the defeats on amendments and the changes made after the wretchedly belated by the House of Commons. The National Enterprise Board is expected to begin its work and profitable companies are still nervous about its aspirations. A considerable document on planning agreements has recently been published.

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The author is Industrial Editor, The Times.

Effects of share slump still felt

by John Whitmore

Late last autumn, when the 400s were reported to be digging in deeper than ever in northern Italy and the Financial Times Index was plunging depths not seen since the mid-fifties, the outlook for the approaching winter looked grim.

But as the Stock Exchange community wondered where to turn next, at least there was no shortage of humour. The new Stock Exchange building was to be sold to the National Enterprise Board, the proceeds (if any) distributed among members and the 26,000 or so people still employed in the securities trading industry sent forth to seek new ways of making a living.

Within a matter of months spring had arrived and the mood had changed beyond recognition. The only long faces to be seen around the tables were those who had tried to swim against the tide of one of the most

spectacular market recoveries in history.

Yet if the mood had changed, the market still bore the scars of the final great shakeout of the savage 1973-74 bear market. Above all, most market men, while enjoying their reprieve from the brink and a profitable new lease of life, were still mindful that both the framework within which the market operated were still caught up in a process of change that might well have some way to go.

The most obvious result of last autumn's slump in share values, volume of business and, consequently, a broking firm's income was that it finally rammed home the message that medium-term prospects, even on fairly favourable assumptions, could no longer justify the kind of costly—increasingly costly—duplication of overheads that continued to characterize securi-

ties trading. The industry would need to rationalize still further.

And continue to rationalize it did. By the end of 1974 the number of member firms had fallen to 319 from 388 at the start of the year. And during 1975 the figure has again fallen, to 296 by mid-August.

The number of Stock Exchange members seeking re-election this spring fell from 4,664 to 4,117, while the overall number of people reckoned to be employed in the industry has probably continued to fall from an estimated 26,000 at the start of this year—the latter figure itself representing a drop of about a quarter in a couple of years.

A number of the firms that disappeared merely shut up shop and called it a day. Among the medium-sized firms, however, the trend was towards merger—the Stock Exchange attempting to help out in this re-

spect by keeping a register of firms interested in joining forces.

The main worry from the Stock Exchange's point of view was that the continuing slide in the market would lead to new difficulties. The fact that the winter passed off without major incident can at least in part be put down to the success of the broking community in the final quarter of last year was not something that was permanently cured by this spring's market recovery—or by the introduction of higher minimum commission rates, which the opening months of 1975 have proved good ones for brokers, particularly for the larger brokers who have taken the lion's share of the boom in rights issue business. And they have been even better months for jobbers.

The summer months, however, have again seen turnover, at least in equities, at a low ebb, and with costs continuing to mount a fair number of firms are reckoned to have been struggling to break even. Indeed, if the market shows no inclination to come back to life in a sustained way as fund managers drift back from holiday, this autumn will almost certainly see a new round of mergers and cost cutting.

What could make this still more likely is the Stock Exchange's recent proposal to raise the levy on member firms—introduced earlier this year as part of a re-organization of the Stock Exchange's financing—the initial 0.5 per cent of a firm's total income to 1.5 per cent.

Like individual firms, the Stock Exchange itself has had to contend with rapidly rising costs and in its latest year (to mid-March) the Stock Exchange reported a deficit of £1.9m. But while the general rise in costs may explain part of the need for the levy, another major consideration has been the need to finance further work on the £15m Talisman project, which will eventually carry the market into the age of fully computerized settlement.

However, the latest year has not been successful merely in terms of learning to live with volatile markets, volatile income and inexorable costs, and in its latest year has been changed at the top, with Mr Michael Marriott taking over the chairmanship from Mr George Love-day and the quest for a chief executive with a sense of humour finally netting a former top civil servant in the person of Mr Robert Fell. In the meantime the process of streamlining the administration, already under way, has continued.

One of the major tasks confronting the senior Stock Exchange members, however, has been justifying the role of the market to the outside world. And while the record amount of rights issue this year has been a fairly effective answer to much external criticism, last year's problems in the capital market and the corporate sector have bred new ideas on capital raising that go beyond the traditional mechanism.

Additionally, the Stock Exchange has been busy preparing evidence on the role of dividends to the Diamond Commission for its recent report on the distribution of income and wealth and has also published its reply to the Department of Trade in reply to the supervision of capital markets.

FFI aid preferred to stock market

by Christopher Wilkins

It is perhaps ironic that Finance For Industry in its present form was created out of a much-publicized crisis that has now almost faded into history. FFI itself has none the less gone on to fill a unique role in the capital-raising process.

Indeed, though it was less than a year ago, it is difficult to recall the crisis atmosphere that prevailed last autumn when it seemed that the corporate sector was headed, inescapably, towards dire liquidity shortage and ultimate collapse.

In part, the crisis never happened because the Chancellor's emergency package of November Budget, to forestall it. The adjustment of tax treatment for stock appreciation was probably the most important single measure he took, removing much of the tax burden on short-term financing. Difficulties then confronting much of industry.

But more was at issue than simply the meeting of a short-term need. With the stock market then effectively closed as a source of new capital, it was recognized that some other source of longer-term funds must be made available if investment programmes were to be financed.

The banks were already arguing that the short-term borrowings of many companies were becoming alarmingly high and were pointing out that more than usually, companies were drawing on their overdraft facilities, which were repayable on demand—to finance long-term projects.

Not only did industry therefore need to be guided through the immediate cash crunch, it needed to be provided with a source of long-term capital which would enable companies to keep their balance sheets properly structured without undue dependence on bank overdrafts. That was the thinking that underlay the much-vaunted £1,000m fund which FFI was reorganized to operate.

But FFI, as newly conceived, was never intended as anything other than a purely commercial operation. Except for a 15 per cent contribution from the Bank of England, which had always had a stake in FFI, any additions to FFI's share capital necessary to finance its growth were to be provided by its principal shareholders, the clearing banks.

In so far as FFI needed to raise long-term loans through stock issues, it was to be the City, chiefly through the big investment institutions like the insurance companies and the pension funds, which were to take up the funds. FFI, in turn, was only to lend the funds at commercial rates.

In practice this meant that paying its traditional margin over gilts to stocks to which its funds were lent. There was to be no question of a government guarantee for borrowers, and there was to be no escape from the standard, but much-disliked, 2 per cent stamp duty.

bank rates for floating rate money. Falling interest rates have subsequently brought the fixed rates down, but only by a small margin. In short, although FFI had money to lend, it was expensive money. The critics said it was too expensive.

They argued that at a time of economic uncertainty, when investment programmes were being cut back anyway, it was extremely unlikely that many investors could project the kind of returns necessary to show a decent profit when the funds to finance investment were costing so much.

Their arguments appeared to be reinforced by the reopening of the stock market as a source of capital shortly after the launching of FFI. Since then, through a steady stream of rights issues, companies have raised new equity of almost £5,000m. In so far as the new equity has served to improve the balance between many companies' share capital and borrowings, it was suggested that the need for an enlarged FFI was no longer what it was.

Constraints on loan demand

Convincing though that argument is in some respects, it misses one of the cardinal points raised by bankers in the early days of last year. The difficulty was not just that the balance sheet mix between share capital and borrowings was becoming too heavily weighted towards the latter. An equally important point was that, within total borrowings, the short-term component was becoming uncomfortably large.

As well as a need for new equity, there was also a need for new long-term loan stock. Yet although the equity market had reopened, the loan stock market stayed tightly closed.

There were good reasons for that. The stamp duty makes it expensive to borrow and to deal in loan stocks in the secondary market, and at a time of falling interest rates there is a powerful case for holding cash with a view to raising fixed-rate money when rates are lower.

Indeed, FFI has found the demands upon it for floating rate funds, for precisely that reason, have been so heavy that it has had to call a stop, limiting the floating component of any loan to not more than half the total and in no event more than £10m. Much of FFI's finance is of a long-term fixed-rate nature and it therefore needs to match those funds with fixed-rate loans of similar maturity.

But even with all those constraints, within the first three months of its existence FFI received loan inquiries totalling about £600m and by the beginning of July it had offered more than £125m. The most recent case of a £25m loan to Disillers emphasizes how borrowers still feel it is cheaper and easier to raise long-term money from FFI than from the stock market.

In many cases, moreover, the borrowers were high quality companies. Among the names to have raised loans are Slough Estates, Lysons and Rikington. It would seem that many borrowers prefer to turn to FFI than run the risk of a venture into the highly uncertain conditions of the stock market for such finance.

The author is Banking Correspondent, The Times.

Steering the lifeboat home

It was one thing for the banking authorities in Britain to think it essential that the secondary banks should be rescued, but quite another to decide how the rescue operation should be "unwound" once it had been successfully set in train.

In early 1974 it was becoming clear to the Bank of England and the clearing banks, which had intervened in the rescue operation through the mechanism of the "lifeboat committee" that they had fundamentally misjudged the nature and scale of the crisis.

Initially, it looked like nothing more than a short-term liquidity crisis rapidly turned into something much more serious. The liquidity troubles were, indeed, nothing more than the outward symptoms of a much deeper malaise. It became apparent that much of the growth of the secondary banking sector following the introduction of the "lifeboat" fund in 1971 had been based on extraordinarily rash lending policies, notably in the property sector. And when property and stock market values began to fall in 1973 and early 1974, the resulting difficulties became painfully exposed.

Once the full scale of the crisis was understood it was too late to unwind the support operation. But while it seems likely that the "lifeboat committee" would have responded differently in the first instance if it had seen the difficulties in their true colours, it can hardly be doubted that, for the good of the banking system as a whole, some sort of rescue operation would have been unavoidable.

In spite of those initial misgivings, the first is that there must be a massive elimination of the excesses of the rescue operation, a process which is already under way. It is significant that several of the biggest support recipients are being tested before, and year we shall find out whether each side's willingness to bring a new sense of order out of the crisis is hollow talk or not.

The ultimate objective has been to root out the trouble-making business in the plain view, by virtue of being better managed, having better loan portfolios and more conservative balance sheet structures, the fringe banks can again begin to generate deposits, and the money market, in the case of independent finance houses, that means in practice gradually cutting back on the banking business into which many of them had branched—and concentrating again on traditional high-purchase business, with its assured cash flows.

Various other measures are being explored to help bring back confidence. The Finance Houses Association, for example, is considering whether the supply of more information by its members to would-be depositors could assist.

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Performance and potential of key sectors of the economy are examined on this and the facing page

Steel: harsh economies may help to alleviate most serious crisis

by Peter Hill

The choice of dishes on the daily luncheon menus in staff dining rooms at the Grosvenor Place headquarters of the British Steel Corporation has been pruned considerably over the past few months, and the number of newspapers and periodicals delivered has been cut back.

Many of the workers in the corporation's plants up and down the country and their managerial colleagues have been faced with the choice of staying with the corporation or opting to take severance payments. These are among the manifestations of the wide range of economies which the state steel undertaking has been obliged to carry out in a desperate effort to alleviate the most serious crisis it has faced since nationalization in 1967 and the sharpest recession in demand since the 1930s.

Over the past few weeks the losses being recorded by the BSC have been rising steadily and are now running at a level of about £5m a week. The corporation is having to borrow money to meet its wages bill. No one is underestimating the scale of the crisis which the BSC faces this year. Compared with the record profit of £89.3m recorded in its last financial year, this year could well see the corporation plunging into the red to between £200m and £250m.

In the private sector of the industry the picture is much the same, although somewhat less severe, but most private steelmakers are working at 60 per cent of their normal capacity and many at considerably less.

Few in the industry can remember a time when the switch from booming demand to recession occurred so quickly and, although the British steel industry—against the overall judgment of its foreign competitors—has been forecasting a 15 per cent fall back in consumption this year, as far back as October 1974, no one believed that the reduction in demand would be so steep.

This year the BSC expects to produce only about 17 million tonnes of liquid steel to meet the order requirements of its customers compared with its nominal capacity of 25 million tonnes. The corporation's break-even point is based on a production of 25 million tonnes of steel.

As the BSC's recent annual report noted, in the first half of its last financial year, with demand for its products continuing strong at home and abroad, it managed to turn in a pre-tax profit of £82m (reflecting the higher selling prices from March last year) but by the end of

the first six months it was operating at no more than break-even level and the position deteriorated still further.

Production last year was adversely affected by industrial disputes—272 of them and only three of them offal—while the costs of labour and raw materials rose by a third and the corporation's borrowings from all sources increased from £46.5m to just short of £260m. Most of the additional borrowing was to finance the corporation's capital investment programme which last year rose from £187m to a record £311m.

Meanwhile, in the course of the year, the BSC had to make provision of £52.4m for losses on medium-term contracts which were undertaken some years ago—mainly the supply of steel to shipbuilders—and the allowance for the rate of inflation proved inadequate.

Against this background and with little sign of any big increase in demand before the late spring of last year at the earliest, the BSC in the first few months of this year sought to effect economies to reduce substantially the loss which executives were prone to describe as "directional" but which amounted to some £375m.

Labour was identified as a key area for savings but Sir Monty Finniston, BSC chairman, who wanted to axe up to 20,000 jobs as part of the economy measures—additional to those scheduled to appear under the corporation's much delayed 10-year development programme—found himself locked in an unprecedented battle with Mr Wedgwood Benn, the former Secretary of State for Industry.

It was not until May this year that the corporation, after lengthy negotiations with representatives of the TUC Steel Industry Committee, agreed on a programme for the phasing out of jobs in line with the corporation's target. The overmanaging in British Steel has been a constant worry to the management and particularly Sir Monty, who is fond of drawing comparisons with the productivity record of the industry's main competitors in Europe and Japan. The United Kingdom industry employs two to three times the number of men to produce a ton of steel as do most other European steel producers.

But the six-point plan agreed with the unions in May, it quickly became apparent, was not working and the costs reductions which are essential to the BSC were not flowing through. Further meetings took place in July at which

new agreements were forged with Mr Bill Sims, general secretary of the 102,000-strong Iron and Steel Trades Confederation, saying: "We are determined to work together in an effort to save the industry."

The first agreement had not worked effectively by the July settlement went much further, including agreement that people with less than 12 months' service would be made redundant selectively on a works-to-works basis; employees over 60 would be considered for redundancy on a voluntary and selective basis; jobs surplus to requirements would be identified and provide further scope for redundancy. More important, perhaps, agreement was reached whereby the BSC will be able to suspend the guaranteed working week and permit work sharing.

Meanwhile, the other main area for cost economies in the present year centres on the corporation's raw materials purchases, notably coal, ore and scrap. The BSC negotiated an agreement with the National Coal Board under which the board will continue to deliver coking coal to steel plants but the BSC will pay for the supplies only as and when they are used.

On scrap the BSC has reduced considerably its buying prices from the high levels of last year and is now about to carry out a rationalization of the number of companies which supply steel scrap.

It remains to be seen what impact the difficulties of this year will have on the corporation's development programme but in the wake of the Government-initiated review of the BSC's plant closure programme, it looks as though it will reach the end of the 10-year development period with a top-heavy labour force. As a result of the review, some 16,000 jobs have been rephased, largely as a result of the deferred closure of a large number of plants.

The 10-year development plan is being seriously affected by the rapid rate of inflation so that the cost estimated originally at £3,000m is much closer to £5,000m.

In the private sector the problems have been less severe but they are there, nevertheless. A source of particular concern is the Government's avowed objective of restoring powers which were lost when the Treaty of Accession to the European Economic Community was signed.

The author is Industrial Correspondent, *The Times*.

Motor: price war highlights desperate plight

by Clifford Webb

The motor industry has been on the rack ever since the oil crisis broke in the autumn of 1973 and is still suffering. The future of at least one United Kingdom based motor manufacturer is in doubt and only government intervention has saved the market leader, British Leyland.

To add to the difficulty of coping with a depressed home market, British manufacturers have seen one in three of all new car sales scooped up by imported makes. In the first half of 1975, import penetration averaged 32.45 per cent, compared with 25 per cent in the same period of last year.

Japanese imports rose from 5.3 per cent to 8.6 per cent and, despite reassuring noises from some of the spokesmen that 1975 would not see any growth in their sales, seem certain to beat 10 per cent before long.

The net result of a smaller total market and more imports has been to trigger off one of the fiercest price wars we have seen for a long time. Early in the year some Japanese prices were so far below comparable British prices that they brought cries of "unfair trading". Supporters of the campaign for import restrictions were hurriedly jacked up in May and June when their campaign seemed to be succeeding.

These hopes have since been dashed by a statement from Mr Peter Shore, the Secretary for Trade, which amounted to little more than an exhortation to "buy British".

But the price war has been waged as bitterly between domestic manufacturers. Backed by expensive advertising, British Leyland, Ford, Vauxhall and Chrysler have all mounted sales campaigns of one kind or another.

Dealers have been offered incentive bonuses to beat sales targets, customers have been tempted by cash rebates on purchases, there has been widespread, and at times quite ridiculously expensive, discounting to keep stocks under control.

In their latest "Super Dealer" campaign running from August 1 to September 30, British Leyland has tried to tip the scales against imports by offering a £150 bonus to their dealers for every Japanese or East European car taken in part exchange, once they have reached their qualifying sales target.

Deals of this kind are not restricted to British Leyland. Their widespread use is a clear pointer to the desperate plight of the industry as a whole. Manufacturers are being forced to sell at very low—and in some cases non-

existent—profit margins to keep their factories working at reduced volumes.

With the notable exception of Ford, which after six months of £2.4m, all the motor groups lost money last year and are almost certainly in a similar losing position today. British Leyland lost £23.95m in the year ended September 1974, but its cash flow situation was even more threatening. Net liquid assets of £50.7m a year earlier had become net liabilities of £35.2m and its overdraft had reached £148m, only £4m below its existing overdraft limit.

In November 1974, with the car market still falling and no prospect of more money from its banks, British Leyland went to the Government for help. When the Ryder report was issued on April 23, it was already clear that the position had deteriorated further. It was later revealed that in the first six months of the 1975 financial year ended March 31, British Leyland had accumulated, after tax, losses of £13.1m.

It is history now that a stubborn minority of British Leyland shareholders rejected the Government's offer of 10p a share, preferring to remain as a private enterprise ginger group in what has since become a state-controlled corporation.

But the really big news—not only to British Leyland's United Kingdom based competitors but to the international motor industry as a whole—was the Government's decision to provide a massive £1,200m (£2,000m expressed in inflated terms) over the next eight years.

With this sort of capital, British Leyland at last can tackle the accumulating problems of outdated plant and machinery, and embark on a really competitive range of new cars and commercial vehicles.

Since the new British Ley-

land Ltd, in which the Government has a majority stake, only officially came into being on August 11, we are still waiting to see evidence of the new management's plans for spending this money. Meanwhile it is pressing on with the distasteful job of slimming down its workforce—a measure which many of Lord Stokes's critics insist should have been tackled eight years ago when British Leyland Motor Corporation was formed by merging Leyland and British Motor Holdings.

Already the group's British labour force has been reduced by more than 20,000 with a further 7,000 in its overseas subsidiaries. More cars are on the way at home and abroad.

So far, however, the cut-back has been achieved by relatively painless voluntary redundancy and natural wastage. However some observers believe that the continuing deterioration of the British car market—1,200,000 new car registrations in 1974, falling to about 1,000,000 this year compared with 1,600,000 in 1973—will leave Mr Alex Park, the new managing director, with no alternative but to introduce compulsory redundancies.

But to suggest this is to ignore a fundamental fact of life. The present Labour Government is committed to protecting employment and whatever Mr Park's own commercial judgment he must also make politically acceptable decisions.

The alternative is to increase productivity, to go for a bigger slice of world markets to justify the present 185,000-strong labour force. But such a move will not be feasible until world demand returns for cars and lorries—and even the most optimistic forecasters do not believe this will happen before 1977.

In the meantime Mr Park must conduct a holding operation using this period of slack demand to modern-

ize his plants and model range for the better days ahead.

The American-owned Chrysler UK remains the weakest of the big four British-based groups. Results for the first half of 1975 are not yet available, but in the financial year ended December 31, 1974, Chrysler lost £17.7m net on sales of £313m. Lacking a sub-compact, its American parent has suffered more from the present recession in the United States than its bigger rivals, General Motors and Ford. In the circumstances it has little, if any, cash to spare for Chrysler UK.

It was against this background and with an ageing model range losing market penetration that Mr Don Lander, managing director of Chrysler UK, made a series of quite dramatic moves. He sought a £35m loan from Finance for Industry, the city industrial bank, and offered his 27,000 workers a profit-sharing scheme and participation in management right up to boardroom level.

Vauxhall remains the nigger in the vast General Motors woodpile. In the financial year ended December 31 it lost £18m net. In the first six months of this year its market penetration was only 7.3 per cent.

In the past two months, however, the Vauxhall picture has looked a good deal brighter with the introduction of the smallest Vauxhall car to date—the Chevette. Its arrival has put new life into the company's dealers. This results not so much from the number of Chevettes they are selling—although about 3,000 a month is not to be sneezed at—but from the number of new customers it is attracting to their showrooms. Some of them come to look at the trendy Chevette and leave with something larger.

The author is Motor Industry Correspondent, *The Times*.



Aerospace: disarray over non-event

by Arthur Reed

For the British aircraft industry, two things have dominated this year—the threat of nationalization by the Government and the coming to fruition, after 13 years of development, of the Concorde supersonic airliner project.

But while Concorde has "happened", nationalization has been a non-event, and the fact that state ownership has not occurred has thrown the industry into a much greater state of disarray than if it had come to pass.

The nationalization Bill, as drawn up by the Department of Industry while Mr Wedgwood Benn was Secretary of State, called for the British Aircraft Corporation, Hawker Siddeley Aviation, Hawker Siddeley Dynamics and Scottish Aviation to pass into state ownership. It gave the administration wide powers over the industry as a whole and proposed compensation terms which left the present shareholders most unhappy.

To those who run the industry, nationalization appeared as an irrelevance against the fact that exports were running at about £600m a year, with the Government having a high level of control over its actions already. That was pointed out bluntly to Mr Benn in a series of meetings he had with the Society of British Aerospace Companies, but the Minister showed no sign of being prepared to amend his proposals. The Bill duly received a formal first reading in the Commons earlier this year.

With the transfer of Mr Benn to take charge of energy resources and his replacement as Secretary of

State for Industry by Mr Varley, the industry began to believe that it had a stronger chance of easing what it considered its more contentious provisions, particularly those giving the Administration wide powers to take over in the future companies not mentioned in the Bill, and on compensation terms.

Pressure was lifted even further when, shortly before the Parliamentary session ended early in August, it became clear that there would be no time for the expected second reading debate. It is now expected that the Bill will have to be re-presented for another first reading after the new session of Parliament begins in the autumn.

That breathing space will give time for the leaders of British aerospace to have further talks with the Government with the hope that when the Bill resurfaces it will contain at least some of their points. Some go so far as to believe that the Government may now be in a mood to drop the idea of nationalization, but others, not so sanguine, point out that it was in the Labour manifesto at the last election, and that there would be immense pressure from the left wing of the party to fulfil the promise.

Meanwhile, a state of commercial uncertainty exists in the industry, and has existed for some time, which is having a deleterious effect on the industry's export performance. Although the Department of Industry has made it clear from the beginning of the nationalization issue that all foreign orders taken by the

industry under private ownership will be honoured if and when the state takes command, potential buyers abroad are holding off until they see exactly what is going to happen.

The aircraft firms will continue to be worried over the uncertainty of orders until the Government's terms for acquiring their assets are clearly stated. Overall, it is a time of great doubt for the British aircraft industry—doubt which should be cleared up as soon as possible.

Within that gloomy picture, the Concorde project provides relief as it runs up to the point where it will receive its certificate of airworthiness from the British and French aviation authorities before going into passenger-carrying service from the beginning of January. British Airways, with five on order, and Air France, with four, will fly it respectively between London-Bahrain-Bombay-Kuala Lumpur-Singapore-Melbourne, and Paris-Dakar-Rio de Janeiro.

Since Britain and France signed the agreement to develop the 1,350 mph Concorde in 1962, the project has cost more than £1,000m, there have been international disagreements, and the project has come close to cancellation on several occasions.

But what has emerged is a piece of aviation technology which, considering its complexity and the barriers of knowledge which its developers had to cross, works extremely well. Hardly ever before in the history of aerospace has there been a new aircraft which has

suffered so few technical teething troubles.

But although it has arrived at such an advanced point in its manufacture, Concorde still has two enormous hurdles to clear before its makers and its sponsors can say it is a complete success. These are its impact on the environment and its appeal to the international business community as the travel market as which it is specifically aimed.

With the sonic boom which it produces when travelling faster than the speed of sound, and the noise of its engines over communities around airports when it is taking off and landing, Concorde has stirred up an environmental hornet's nest. That is particularly so in the United States where a Federal Aviation Administration report on environmental impact is eagerly awaited.

Its findings will decide whether the airliner is allowed to fly into the airport at New York—a gateway which is vital for both British Airways and Air France if they are to make Concorde a commercial success.

Concorde's appeal to the business community will, of course, depend to a large extent on the routes on which it flies, but it also needs to be seen whether businesses will think it worth paying up to 18 per cent above the first-class subsonic fare to have their executives arrive at their destination in half the present flying time.

The author is Air Correspondent, *The Times*.

Shipbuilding: stat takeover plans may miss the tide

Independent British shipbuilders began 1975 reconciled to the fact that by the end of the year, on the Government's plans, they would be involved in preparing the ground for the establishment of a nationalized shipbuilding corporation.

Mr Wedgwood Benn, the then Secretary of State for Industry, was committed to bringing the shipbuilding, ship-repairing, marine engine-building and the aircraft industries into public ownership. The nationalization of shipbuilding has long been an objective of the Labour Party, and government politicians made it clear that such a programme would get priority after the February 1974 General Election.

As an earnest of its intentions it published last summer a consultative paper on its plans for the creation of the shipbuilding corporation and in May this year Mr Benn introduced the Bill which would give effect to that objective.

But the backlog of parliamentary business prevented the progress of the Bill in the last session, and although ministers have emphasized that it will be given priority in the next session, there is a growing feeling that the nationalization plan will not be realized.

So far the time being the Bill, which Mr Benn described in May as "a vital part of the Government's industrial strategy" sits gathering dust in a parliamentary pigeon-hole and may or may not be dusted down in the autumn.

But the Government has furthered its case for public ownership by taking under the state wing the Belfast group of Harland & Wolff, which has suffered crisis after crisis and has been weighed down with prospective losses of about £60m. But the group will not be run as a nationalized corporation nor will it be brought into the proposed British Shipbuilders, the state corporation envisaged by Mr Benn.

The Government's direct involvement in the shipbuilding industry is already considerable. It owns Govan Shipbuilders, the successor company to two of the three former yards of the Upper Clyde Shipbuilders group.

Last summer, said £10m for the shipbuilding and repairing interests of the Court Line group, and it has a 50 per cent stake in Cammell Laird Shipbuilders on Merseyside.

Those yards still outside the state's reach, including Scott Lithgow on the lower Clyde, Swan Hunter, Vickers Yarrow Shipbuilders and Vosper Thornycroft, have argued strongly that it is yards already subject to some form of state ownership which had received the bulk of the £156m of public funds injected into the market between 1965 and 1974.

They have submitted alternative proposals which would enable them to maintain their independence but operate under the general direction of a shipbuilding council. Mr Benn was not impressed by the argument and it remains to be seen whether they will be able to maintain their independence but operate under the general direction of a shipbuilding council.

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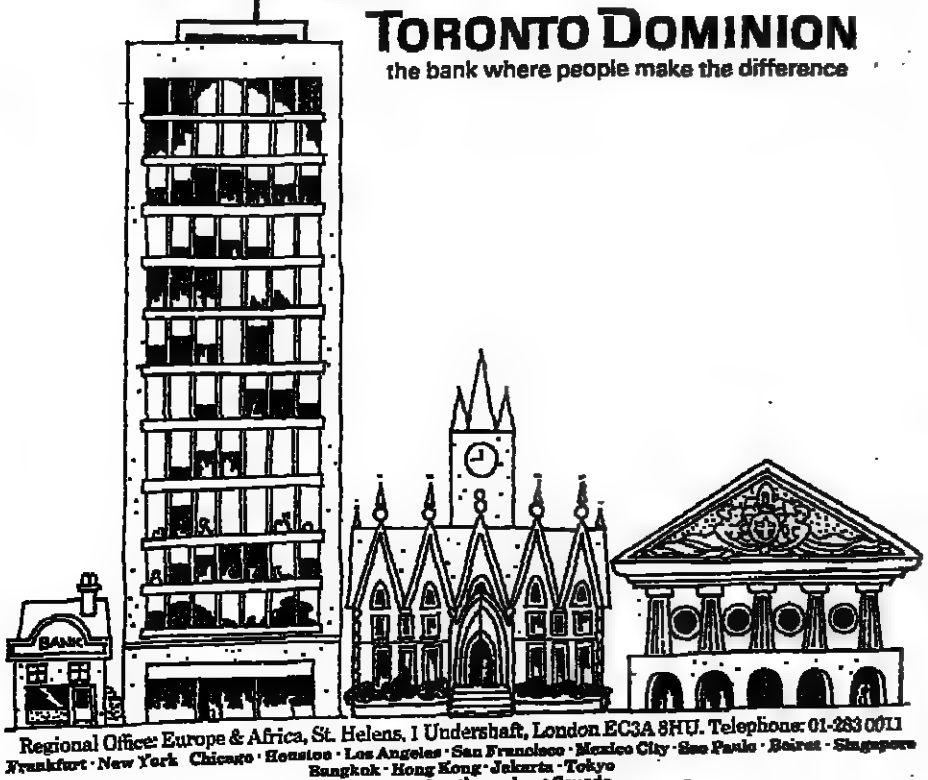
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continued from page 11

posing of property-related loan portfolios.

A further factor is the question of restoring profitability, without which many of the secondary banks believe they will be unable to renew outside confidence. Many of the banks have argued that the terms of the rescue operation are such as to make any early return to profit difficult.

Whereas a finance house, for instance, may have been able to borrow in the money markets at, or close to, pre-

vailing interbank rates, it has probably been paying a margin of 2 or 2½ points over that to borrow from the "lifeboat committee".

That is served to exacerbate a deteriorating trading trend associated with economic recession and the falling levels of demand for consumer finance.

Against that background it is hard to envisage a widespread return of depositor confidence in the immediate future and the most likely outcome is that the support operation will have to remain in being for a long

time while the general slimming-down process takes its course.

Rather than face protracted uncertainties—and the likelihood that any rise in business activities will find the support participants largely unable to serve in it—some may seek the same way out as Mercantile Credit, whose board has recommended acceptance of a £57m bid from Barclays Bank.

Some encouraging signs can be found, though. Key-see Williamson has said that through its own internal

measures, it has already cut its dependence on the "lifeboat committee" in half and by the year end it expects to be completely clear. Bowmaker also seems likely to be able to repay the support funds entirely.

In the most significant development for some time it has obtained the agreement of the clearing banks to supply a substantial medium-term loan in place of existing short-term funds, a clear indication of their increasing confidence in the company.

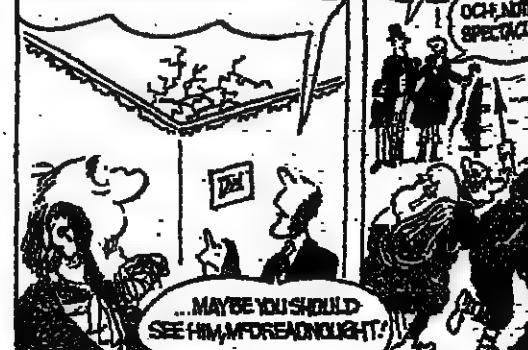
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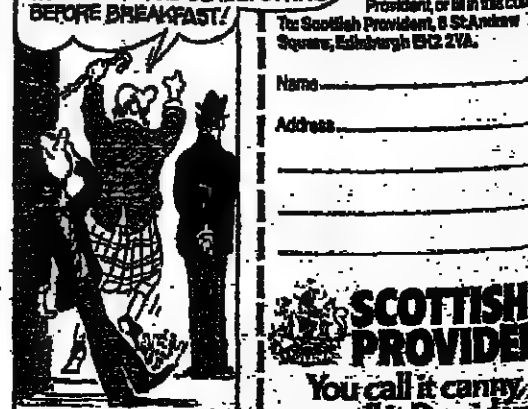
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North Sea oil: ambitions partly fulfilled

by Roger Vielvoye

pointment of Lord the former chair- Court, as the of the proposed oil corporation, has provided a focal for the Government's take a 51 per cent commercial oil finds North Sea.

as can now be made other members al committee which ablish the state oil and probably form jeus of the first Without the frame- the corporation, the vent's plans for par- is lacked a certain of action, parti- in oil industry

edwood Benn, the of State, for is expected to shortly a chief ex- o work with Lord Government com- an scouring the oil- the 51 per cent- access, though it is- easier now that it is- the head of the- tion will be.

y, the corporation involved in overseas- ing the 51 per- is that the Govern- quires in the oil- legislation provides- ized industry- ing powers to- aspects of the- from exploration o- account through to- and marketing. But- has built up suf- technical skill, the- at will remain- management com-

pany, participating as fully as possible in the various committees which run the offshore oil finds. It will be at least two or three years before it is ready or willing to extend its activities into other spheres.

Meanwhile, the Govern- ment has made some pro- gress along the road to ful- filling its participation ambi- tions. Burnah Oil agreed to the principle of participa- tion as part of the deal for- bailing the company out of its financial difficulties at the beginning of the year. But it also won similar declarations from smaller groups in return for financial backing or permission to alter the ownership of cer- tain licences.

The big breakthrough came, however, when British Petroleum conceded the prin- ciple of the state taking 51 per cent. The Govern- ment is forecasting that another three American groups will shortly also agree to participation in principle.

But several other consortia are still opposed to the idea of a state share in their oil finds and are not going to give way simply because other companies have found it politic to do so. British Petroleum's acceptance of the principle came only after some dogged fighting.

Eventually it was veiled threats from the Government about the fate of the 20 per cent stake in the company, formerly held by Burnah but now in the custody of

the Bank of England that changed BP's policy from one of active opposition to reluctant acquiescence.

Now that the principle has been conceded, BP has been able to make counter-pro- posals to the Government on the way participation should be implemented. The Depart- ment of Energy has proposed a system under which com- panies can expect to be re- imursed for the after-tax revenue they could have ex- pected from a field in which the Government has a 51 per cent share, had it remained entirely under oil company control.

In a case like the Forties field, where the company has made all the investment and does not require the state to contribute to the de- velopment costs, the com- pany would simply get its after-tax revenue made up from the National Oil Account (NOA). But where the Government gains partici- pation midway through the construction of produc- tion facilities on a field, it would pay its share of future costs but would not reim- burse the company for past expenses.

In that case, the Govern- ment would want a return on its capital which would be deducted at commercial rates before payments were made from the NOA. The com- plex situation arises when the companies want the Government to meet its full share of past development costs. Again, the Govern- ment will want a proper rate

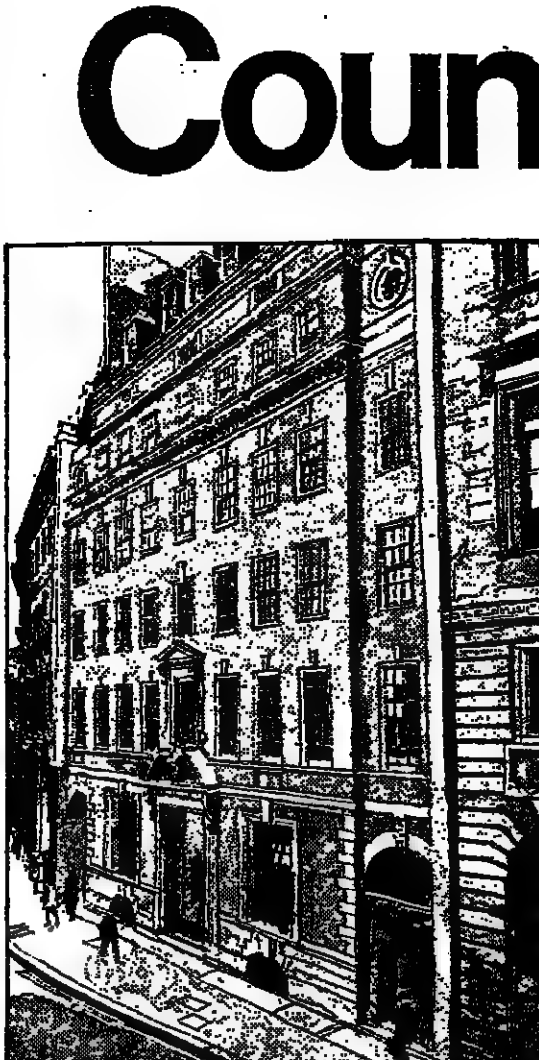
of return on any money it invests but it has assured the companies that each partici- pation deal will be negotiated separately, taking into account all the characteris- tic circumstances of in- dividual fields.

Meanwhile oil has started to arrive from the North Sea. Hamilton Brothers won the race to be the first producer and will be followed in October by the first dribble of oil through BP's pipeline from the Forties field and tank loads of crude from the Shell/Eso Brent field. By the end of the year oil should be flowing at the rate of 45,000 barrels a day, still a long way off the two million barrels a day, needed for self-sufficiency in 1980.

Next year the Piper, Monroze, Brent and Beryl oilfields will start producing, pushing the total daily out- put to more than 330,000 barrels. All production pro- grammes are well behind schedule mainly because of delays in building platforms and floating them out to the correct position in the North Sea. The longest delays and biggest technical difficulties have come with the steel jacket design.

Norwegian-built concrete platforms have a much better construction record and, provided they perform adequately on the seabed, it seems the steel jacket and module builders may find it difficult to win repeat orders.

Steel technology suffered another serious blow when a



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Electricity: consumers must pay for higher costs

Britain, small coal power stations, many more than 30 years old, are going out of service over the summer and autumn months work and will reduce a single unit's output again. Officially on "cold stand- ing" with a skeleton "the moon" when demand picks up older stations will be needed.

They have been by the massive in- crease in the price of coal to fuel the power. The electricity is no longer need so generating plant to a vastly reduced de- mand and are paid the older and less effi- cient units. Negotiations with the unions are procedures, and agreement has been these stations will be in permanently and its dispersed.

Using price of power fuel-coal went up per cent in the 1974-75 year—has sent elec- tricity prices into a con- siderable spiral. By the summer, prices will be in just two re- sult has been a h-o-f, mainly in in- come, but a limited extent in demand is 15 per cent in the industry's and there is no

sign of increased usage on the horizon.

In the financial year 1974-75, the electricity industry in England and Wales lost £258m while in Scotland the major power utility, the South of Scotland Electricity Board, had a deficit of £10m. Both boards can expect to have their shortfall made good from Treasury funds because the losses were in- curred directly as a result of government interference in the pricing policies of the nationalised industries.

But as the consumers are now discovering, subsidies are a thing of the past. Continually rising bills are a constant reminder that the electricity boards are now returning to a commercial pricing policy and that the end user, and not Whitehall, will have to pay the in- creased cost of coal and oil. In 1974-75 the Central Elec- tricity Generating Board saw its fuel bill rise from £699m to £1,194m.

The full effect of the oil and coal price rises takes some time to work through the system and it will not be until the end of this year that the full cost is known. The CEGB estimates that the £1,194m will have risen to about £1,500m by the end of the financial year in March.

One of the reasons why electricity prices seem to be rising is the in- clusion of the fuel adjust- ment clauses in tariffs. Fuel costs at the power stations

are reviewed quarterly and if they rise then bills are adjusted to take account of the increase. The residue of the coal and oil price rises are expected to add a fur- ther 23 per cent to prices through fuel cost adjust- ment before the end of the year.

Providing there are no further fuel cost increases, over the next five months these should be the last rises until the next general adjustment in tariffs, in April. At present there is no indication of how much the increase will be, except that it will not be as severe as the 28.5 per cent rise last April.

Sir Peter Mansfield, chair- man of the Electricity Coun- cil, said in July that he hoped the industry would be close to breakeven in the current financial year. But because of the number of imponder- ables he declined to make any more specific forecast. However, the Government, in making provision for the phasing out of nationalised industry subsidies, has set aside £30m as the most the industry is likely to lose this year.

Declining demand for elec- tricity has not only hit the profitability of the industry, but also the amount of coal it consumes. The Central Electricity Generating Board finished last winter with record stocks, because of the unseasonable winter and the effects of the general switch-

off. As a result it has already reached its next winter's stocking target of about 12 million tons by the end of August, and is continuing to take coal from the pits.

The big switch-off has also caused the industry to re- vise its forecasts of likely demand in the early part of the 1980s. As a result, the CEGB has cancelled its plans to order two new oil- fired power stations, one at Killybegs in Lincolnshire and the other at Inswyre Point in Cornwall, in the present year. Mr Arthur Hawkins, chairman of the CEGB, says it now seems unlikely there will be any new orders for fossil-fuelled power stations until 1978.

During this two and a half year period the only new order will be for a nuclear unit. The CEGB and the SSEB are committed to buy- ing the first two steam gener- ating heavy water reactor stations from the revamped National Nuclear Corpora- tion which has now taken over completely from the two previous nuclear con- struction consortia. Orders are expected soon for units to be built at Sizewell in Suffolk and Torness Point in East Lothian.

Meanwhile the troubled second generation of nuclear reactors, the advanced gas cooled system, are slowly inching towards producing their first electricity, over five years behind schedule. Hinkley Point B station in

Somerset should be the first to produce commercial elec- tricity followed by Dungeness B in 1977 and Har- pool, Heysham and Humberston in 1978.

While the National Coal Board broke even last year it is still suffering from a failure by the miners to maintain the high levels of productivity achieved earlier in the year. Once the min- ing holidays are over, the NCB will be launching a pro- ductivity drive so that it can achieve an annual output from its deep mines of 120 million tons.

Sir Derek Ezra, chairman of the National Coal Board, says the industry is going ahead with its expansion plans and that short-term fluctuations in demand will not be allowed to interfere with plans for bringing into production an extra 42m tons of coal a year.

Some of the increased capacity will come from the expansion and moderniza- tion of existing pits. At the end of the last financial year work was in progress on pro- jects, each costing more than £500,000, and totalling £110m. Approval is now being awaited for the mas- sive Selby Field development plans and the board is also considering the feasibility of two other deep mines, one near Stafford and the other south of the Trent and the present Nottinghamshire coalfield.



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The author is Consumer Affairs Correspondent, The Times.

Building: little but gloom

by Malcolm Brown

summer 250,000 workers could be on Already nearly frighteningly high of the national goal are without public works contrac- difficulties, motor- ers are having to be by government aid, a house builders, rent business, if was at least been an most others in on, are looking in- glum. When the the £6 pay limit bite and real dis- income starts to prospective house- if I think twice and rd time before put- money down for a

looking for paral- there has been not- ompare with the recession since the- this they may ex- it is certainly true- building slump is an bad one, that it has almost every sec- industry, and that immediate end of

at recent estimates economic develop- ments for building engineering, per- sors thorough fore- fall of 5 per cent- tion, output this- further 4 per cent

little other than- found in any in- tor, with the pos- almost certainly- exception of hous-

called new investment. Many of them are unlikely to start building new factories again until the signs of a resur- gence in the economy are marked and unmistakable.

Only the large orders being placed for construction con- nected with offshore oil work—very much a speciality limited to a handful of com- panies—have saved this sector from looking truly bleak. The National House-Building Council detects a small boom in private house sales and expects starts to exceed 130,000 this year and com- pletions to approach 150,000—historically low figures but still more buoyant than might have been expected. It is also true that money has been flowing strongly into the building societies, but against this it is clear that high interest rates and the squeeze on disposable income are depressing demand for all but the modestly-priced house.

It seems likely that the NHBC's projections will be proved over-optimistic by the end of the year, but by what margin it is difficult to say. Council housing is now a good deal less strong than it has been for some time.

Inevitably the slump in the building market has caused a ripple effect in the related industries and pro- fessions. For many months now building materials pro- ducers have been working at well below capacity levels. Brick kilns are being closed temporarily or permanently in many parts of the country. Producers of asphalt vie in cut-throat competition for every tender that comes along. Professionals, such as architects, are receiving so few private commissions that many are having to terminate their practices.

The danger in all this is that as the recession con- tinues capacity will be lost,

Retailing: protecting the customer

by John Groser

Last Christmas saw a con- sumer spending boom. Some commentators gave warning that it was the final fling of that old dying man, the British economy. Others, quoting *Murder in the Cathedral* (not let us hope, prophetically) replied: "Peace, and let them be in their exultation."

For, in spite of the Chan- cellor's many strictures, the consumer did indeed seem exultant. It had been the year of the consumer, people said. Mrs Shirley Williams was the new star, shining brilliantly from that excit- ing galaxy, the Department of Prices and Consumer Protection.

The Labour administration, it was said, had gone boldly where no government had dared to go before. And, if it all sounded a bit like an adventure from the log of the *Sarah Simpson* (with Mr Wilson a somewhat unlikely Captain Kirk—no prizes for guessing who plays the part of Mr Spock) who could blame the consumer.

So long downtrodden, with no real protection or cham- pion, suddenly, almost at a stroke, the consumer was being fed, courted, safe- guarded and consulted in a way that must have been bewildering, if a little flat- tering.

The Office of Fair Trading (a Tory invention actually, and not as is often assumed the brainchild of Mrs Wil- liams) had been in business for just over a year and even if people did not know exactly what it did (the first report was not to appear until last February) it was con- sulting to know that the office existed.

Soon it was to be supple- mented by a second pillar to the great new arch of con- sumer protection, by the National Consumer Council (very much the brainchild of Mrs Williams and her team).

At the start of this year, Mrs Williams announced that the chairman of the NCC was to be Mr Michael Young (the founder of the Consumers' Association, publishers of *Which?* and its stablemates) and said

lie works—roads, hospitals, work for d industries—the spect ahead is one- ncy and Mr Cros- ning as Secretary- the Environment- cal authorities the- er leaves no room- as to the dispos- al council moneys- next year or two.

Industrial work- ten badly hit as in- caught between- on the one hand- controls on the- e delayed or can-

some of it permanently, so that the industry will be low strength when the out- look does eventually im- prove. And not only con- tracting and materials pro- duction capacity is affected. When skilled craftsmen leave the industry many of them do not return, preferring to use their skills in other, more stable industries. At the other end of the scale lack of money for training means that apprentices are not taken on, and that spells trouble for the future as the lack of experienced crafts- men is compounded by the shortage of fresh new skilled men.

This cycle has been re- peated again and again in the building industry with such predictability that it be- comes difficult not to blame the industry itself for its shortsightedness, its lack of internal financial resources to tide it over the bad patches, its refusal, in the case of apprentices, to train, even in hard times, as a valuable investment in the more buoyant future.

But shortsighted though it may be it is hard not to sym- pathize with an industry an even keel. Governments repeatedly put their hands to their hearts and swear that the industry, of which they are the largest client, is not and will not be used as an economic regulator. But ex- perience has shown that to be a half truth.

In strict terms it is not a regulator, simply because government tampering with the building workload usually takes far too long to work its way through the system for it to be effective. But that does not stop it trying.

What is needed if the in- dustry is not to carry on remorselessly travelling up and down a cycle of slumps and booms is some form of agreement with government under which a minimum guaranteed workload would be regarded as sacrosanct. If the industry could rely on a guaranteed core of work there would be a good chance of its finding some- thing like stable growth in the future.

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Annual financial and economic review 3 PERSONAL FINANCE

Return to sanity

by Margaret Stone

Sanity is returning to the world of savings and investment. Presently, there is still plenty of gloom about, but at least investors have decided to shun fashionable investments such as income bonds or obscure gold coins in favour of the more conventional and better understood forms of investment and savings.

The enemy of all forms of investment has been inflation which, earlier this year, was running at the rate of nearly 30 per cent. It is ironic that this year the accolade for countering inflation should have gone to one time villain of the savings world, National Savings.

In previous years National Savings has been mauled by the critics because of the derisory returns it offered savers. The Page report on National Savings two years ago made it clear that the Government was using National Savings for two inherently opposed purposes: to raise cheap funds for the state and to provide a worthwhile savings mechanism for people unable to avail themselves of other forms of savings or investment. Inevitably, it was the second function which suffered. The report recommended experimentation with some form of index-linked savings.

In August last year, the Government decided to carry out this recommendation—but without the modest interest element which the Page report recommended would have to be built into any index-linked scheme to guarantee its attraction. In the event, inflation was on such

a strong upward trend by last summer that it was clear that any form of savings which offered to match inflation would be a winner, with or without the added inducement of interest. So, the two schemes announced then by the Government—one for pensioners and the other replacement of the old Save As You Earn contract—merely aimed to hold the savings value.

The index-linked retirement annuity of National Savings Certificates is available for men at 65 and women at 60 (discrimination in reverse), with a minimum purchase of £10 and maximum of £500. The certificates have to be held for at least a year before they can be withdrawn with their value increased in line with the 12 month increase in the general index of retail prices.

The SAYE variation follows the old model in that it must run for five or seven years before the bonus is payable in the latter instance) in order for the monthly payments to be rerated according to the increases in the retail price index. If the money is withdrawn before the full period, the funds will bear interest at 6 per cent instead.

Both schemes have been outright winners.

The two institutions most likely to suffer from a prolonged heavy sales run of index-linked schemes are the building societies and the life assurance offices. The societies already acknowledge that the drop in June receipts was a reflection of



old age pensioners taking out savings to reinvest in the new index-linked bond. Both the building societies and the life offices are vulnerable in respect of the SAYE scheme.

The building societies fought successfully to retain the old-style SAYE scheme as part of their repertoire and did finally obtain government blessing for its retention. The term share, which was very much the vogue when the societies were short of funds last year, has proved a significant variation on conventional building society investment.

In return for a higher rate of interest—from 1 to 1 per

societies in response to interest rates movements. For example, in April when the clearing banks began to cut their base rates, a lot of money flooded into the societies which were still offering 7.5 per cent. But much of that money departed two months later when the investment rate was reduced. Although the societies are always pleased with new money, this new kind of building society investor could create more headaches in the future. "Hot" money makes the building society receipts fluctuate too widely.

Such difficulties do not plague the life assurance industry, which is not to say that it is without troubles of its own. At the moment they are centred on the controversial Policyholders Protection Bill, hurriedly brought into existence by Mr Peter Shore, Secretary of State for Trade, after the collapse of National Life Insurance and the troubles of other insurance companies caused by the guaranteed income bond.

The recent decision not to allow Fidelity Life to take on new business and the subsequent appointment of a provisional receiver indicate the necessity for increased consumer protection in life assurance.

The new commission structure introduced by the Life Offices Association should, however, go some way towards preventing the sale of the wrong type of policy. The highly advantageous scale for whole-of-life policies has been replaced with better rates for endowment and term assurance which should enable brokers and other intermediaries to maintain their income and ensure that the young are not sold unsuitable policies.

The author, Investment Editor, The Times

Taking avoiding action on new tax

by Vera Di Palma

The combined effect of high income tax rates and inflation now makes it more difficult to accumulate wealth. Difficult, but not impossible. To plagiarise, some are born wealthy, some achieve wealth and some have wealth thrust upon them; that is the inheritor, the saver and the gambler.

Those who have wealth, however acquired, will find their resources depleted by the new tax still at the embryo stage and the recent horn capital transfer tax (CTT).

The wealth tax has been promised for 1976 and is only at the drafting stage. CTT, on the other hand, became a matter of law about six months ago, although, as a result of retrospective action, it has been with us for nearly 18 months.

The full impact of the tax has not been felt yet. Thanks to a concessionary breathing space, no one has yet had to prepare a CTT form, or hand over the tax. The obligation to do so starts soon—on September 13.

Softening the immediate blow, the first £15,000 of non-exempt gifts made since March 26, 1974, is taxable at a nil rate, so it is not until the cumulative value exceeds this figure that the tax starts to bite and the first squeals of pain are heard.

So far there is no evidence of the effect CTT will have on the distribution of wealth. We are still at the guessing stage. Under estate duty—the predecessor of CTT—the rates were penal but they took their toll only on death.

There is not the same incentive now. The act of giving is immediately caught for tax unless the gift falls within one of the exemptions. The exemptions can produce

useful tax savings, but in the main they are modest in amount unless the recipient is one's own spouse, a charity, a political party or the state—when the sky is the limit.

Now that gifts can be caught within the tax net it means that many more taxpayers will, sooner or later, have to face the problem of how best to organise the transfer of their wealth so that dependants will derive the greatest benefit. They will have to consider the tax implications of making a gift during lifetime compared with delaying matters until death, and how to make the fullest use of the exemptions and reliefs.

There are two scales of tax rates: one for gifts made during lifetime and the other for property left behind on death, including gifts made within three years of death. On gifts up to £300,000, the lifetime rates are lower than those levied on death, the intention being to encourage the wealthy to distribute their assets more quickly.

Whether they will be another matter. One problem is that in certain cases the tax burden can be bargained by making the gift during lifetime. This is because some gifts—such as shares, businesses and land—attract both CTT and capital gains tax (CGT). In the former case the value of the gift is taxed; and in the latter the gain, if any, is assessed. This double taxation is exacerbated by inflation in that CGT may not be taxing a real gain at all, only an inflated one.

There is no relief for this double taxation except where the recipient undertakes to foot the capital gains tax bill. If he does so the amount of the gain so taxed will be deductible from the CTT liability.

ted from the value of the gift before calculating the CTT payable of the tax bill depends on the value of the asset on the day it is given away a donor will select, if he has any choice, an asset which is likely to appreciate in value rather than the reverse. If the gift is made in cash there can be no dispute about the value. Nor is there a problem with the valuation of quoted shares and securities. The difficult areas concern shares in a family company, businesses, land and buildings and chattels. These will require an expert opinion and will keep valuers busy and prosperous.

Another problem to be considered is who should bear the tax? As far as payment to the inland revenue is concerned the primary responsibility falls on the donor; but who bears it is another matter and has important valuation consequences. This principle causes no problem if the gift is of cash because the donor will probably have in mind the net amount by which he wants the recipient to benefit, and no matter whether the donor or the recipient bears the tax, the gross amount of the gift and tax will be the same. But if the object is to give away, for example, stocks and shares, land and buildings or chattels, then the tax burden will be greater if the recipient of the gift is not able to foot the tax bill.

For instance, father might wish to pass on to his son a holding in gilt-edged securities (no CGT if held for more than a year) which is valued at £2,000. Having made previous gifts, he is in the 10 per cent rate band. If father pays the CTT bill it will be £222 (£2,000 grossed up at

10 per cent); whereas if the son pays the bill it will be £200 (£2,000 at 10 per cent).

Finding the cash to foot the tax bill is another problem. The tax is due fairly speedily after the gift is made, generally speaking six months after although it can be a little longer. In the case of certain assets given away during lifetime, such as land, businesses and certain shareholdings in family companies, payment can be spread over eight years, provided the recipient bears the tax.

Payment by instalments or not, funding the transfer will undoubtedly create difficulties for businesses and unquoted companies whose shares are owned by the family and their trusts. We may see an upsurge of companies selling out sooner than they would normally have done, to meet the tax liabilities.

Those who consider that the cost of giving during their lifetime is too high will find no solace in accumulating assets. Just around the corner lurks the wealth tax. The Green Paper gave, by way of illustration, a starting point on net wealth of £100,000, but it was made clear that the Chancellor of the Exchequer did not hold himself to this figure: it could go up or down.

Recent preliminary figures from the Office of Population Censuses and Surveys show that for the year ended in June net emigration stayed at the high 1974 level of 49,000. The office expected it to drop to 15,000 this year and 8,000 next year. That forecast will require a drastic revision. Few people doubt that the high impact of all the taxes, both capital and income, will contribute to a vigorous wealth and brain drain.

Composite insurance groups improve

by Anthony Rowley

After a gruelling two years the composite insurance groups in Britain—those underwriting various classes of business—are in an improving, though not yet strong, position again. The life assurance offices also have an improved financial position, though theirs was never so threatened as that of the composite groups.

Both policy holders and shareholders of the proprietary insurance groups (those owned by their shareholders and not, as with "mutual" societies, by their policy holders) are having to contribute towards this improvement.

The policy holder is feeling the pinch of higher premiums, particularly in motor and home liability insurance, not only in Britain but also in the main overseas territories such as North America, Australia and South Africa, where the British composite insurance groups operate.

The shareholders are having to subscribe fresh capital by way of rights issues to many of the composite groups both to safeguard their present financial position and to enable them to write a higher volume and value of premiums in the future.

Premium increases, which the composite groups began introducing in the second half of last year, are badly needed to compensate for the effects of claims and costs. Inflation has not yet been experienced all over the world in the past few years.

Not only have the costs of staff, premises and so on risen at a rapid rate in line with international inflation but there has also been a trend towards the awarding of much higher claims against insurance companies by the courts. That has reflected not so much the pace of inflation as the growing strength of the international consumer movement.

Nowhere have the effects been more startlingly obvious than in the United States where the courts have been awarding vast sums by way of damages in favour of, for example, the victims of so-called "medical malpractice". These awards are often retrospective and cover risks insured many years previously at premium rates actually calculated to cover much smaller payouts by the insurance companies.

The result has been that British insurance groups operating in the United

States and other territories where claims inflation has been high (such as in Australia on workmen's compensation business) have had to place huge amounts of money to reserve, to cover themselves not only against claims already decided but also against the prospect of future actions succeeding at a similar level.

Their underwriting business has consequently swung sharply from profit to loss and they are urgently having to either raise premiums or withdraw from certain classes of risk (in Canada, for example, where competition, or the legislative authorities, prevent their raising premiums).

The fact that the companies are able to raise premiums at all, particularly in America, is a sure sign that the cut-throat competition that prevailed for two years is abating. That competition arose mainly because companies were attracted into the insurance market by the large sums which invested premiums were yielding in times of high interest rates and booming equity markets.

Not surprisingly, entrants to the insurance market were anxious to get their hands on

the public's savings, by way of premiums, to invest. These entrants were often industrial or financial conglomerates inexperienced in the insurance market. Many suffered when claims overtook their profits or even exceeded their reserves. The intensity of the competition also affected the profit and loss accounts of the much longer-established insurance groups.

In the case of the failed Nation Life concern it was the high level of so-called single-premium business that brought the company to its knees in 1974. When that type of investment lost its tax advantages in the Budget of that year the policyholders began to withdraw their funds at a rate the company could not stand.

What the increased competition and the effects of inflation did to the composite groups underwriting profits is also obvious enough from statistics. Thus the combined underwriting profit of the seven groups mentioned declined from £32m in 1972 to just £3.3m by the following year. By the end of 1974 it had swung to a loss of £100m as competi-

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Building societies move away from 'feast and famine' lending

by Margaret Stone

Building societies have had a record 12 months, likely to remain the order of the day. However, the days are past when building societies lived in splendid isolation, cut off from the economic mainstream of the country and out of sight of the Treasury and Department of the Environment. As elsewhere the key word now is partnership and once a month building society leaders and government officials from the above-mentioned ministries and representatives of the Bank of England and the Chief Registrar of Friendly Societies attend a joint advisory committee meeting.

Formed in September, 1973, a difficult period for the movement, its initial brief was to allocate a system of priority lending during a lean time. Now, with building society funds in plenty, it is preoccupied with preventing a house price explosion similar to that of 1971-73.

As a result the societies are holding an unprecedentedly high volume of liquid funds. Figures for June indicate that the movement is operating at a liquidity level of more than 20 per cent, which is a record. So with total assets of more than £220,000m, the societies are holding cash and other investments of about £4,400m.

At current lending rates that means the societies have about 20 months of lending in hand. Put another way, a percentage point drop in the rate would provide a further £440m of home loans; about the same amount as the societies are now lending each month.

There is no set point at which the housing market would be in danger of overheating but the general opinion is that about £450m a month is sufficient. There is no way of determining accurately whether the present rationing (the societies

object to the term but it does describe the situation) is the key factor behind the present fairly stable level of house prices. It certainly seems that equal weight should be given to the imbalance between incomes and house prices, which is only now beginning to right itself, and the general feeling of economic uncertainty which appears to have removed almost all incentive among existing householders to "trade up".

The statistics relating to house prices and earnings are interesting. In 1971, the year the house price boom began, the ratio of house prices to earnings was 3:25, the lowest for 10 years. By 1973 the pendulum had swung in the other direction with a house price-earnings ratio at an all-time high of 4:51. By the end of June this year it had moved down to a nearly normal 3:66. Given the 20-30 per cent

level of wage increases in the last pay round and the lifting of the special advances limit to £20,000 from £15,000, there might be room for a little more optimism on prices in the upper reaches of the market—provided the Government's anti-inflationary policy can be seen to be working.

It is unlikely that the mortgage interest rate, still the 11 per cent fixed in September, 1973, will be altered this year, despite the recent reduction in the investment interest rate from 7.5 per cent to 7 per cent.

The investment rate is the factor around which building societies operate. Since Government intervention in society affairs to put a limit on the mortgage rate of 11 per cent there has been a grave imbalance between the investment and the mortgage rate.

So the decision to reduce the investment rate in June should primarily be seen in that context, although there is no doubt that the decision was made much easier because of rapidly falling interest rates in general. The new rate levels—7 per cent for the investment rate, or 10.76 per cent gross, and 11 per cent for the mortgage rate—restore the movement's operating margins to about 20p a £100 instead of the 4p a £100 for the previous months.

Although building societies are non-profit-making organizations, they do have to make a surplus to expand their lending operations and maintain their reserves.

After 1973, when the mortgage rate was changed three times in a year and the investment rate twice, society leaders did believe the movement would have to start to respond more frequently to general interest rate changes. That theory now seems to have been abandoned in favour of the older philosophy of few and infrequent rate changes, certainly on the mortgage front even though the investment rate may become slightly more volatile.

The latest reduction in the investment rate from 7.5 to 7 per cent at the beginning of June did not have serious repercussions for the flow of funds into the movement. After net receipts of £406m in April and £317m in May, building society leaders were quite anxious for the flow of new money to be restrained. (Otherwise they would have been open to criticism over the much greater sums of money withheld from the housing market.)

Time to reexamine your investment profile

by Adrienne Gleeson

Six months of almost ideal conditions investors beginning to feel that the market is behind them and that a rational investment policy may be adopted. But the puzzle, in the midst of a market crash and the yields on fixed securities up to unlimited levels and share prices in real back to the level of 1920s, is to know just a rational investment is these days. You after all have followed a letter the old rules of spread of risk last and still count yourself if you ended it with fortune no more than d.

end up with a portfolio full of bits and pieces of which neither you nor anyone else can make rhyme or reason. So reexamine your own investment profile. Do you count yourself among the poor but honest, the fruits of 40 years now tucked away in a few much depreciated share certificates and an annual income under £3,000—in line with an extraordinarily high proportion of investors, as implied by the Diamond Commission? Or does your vision of yourself as a man of modest means unaccountably conflict with that of a taxman distressingly inclined to relieve you of an unacceptably large proportion of any additional income?

If the first, then you need income; if the second, you are going to go for capital growth. But that only establishes one of the parameters of your investment policy. You need also to know the extent to which you can risk your capital, to estimate the possibility of realising ahead of schedule, and to decide on the time you can afford to spend on looking after your investments.

A qualified accountant with experience of liquidating companies is unlikely to find himself out of work: so he can afford to take much higher risks with his £500 of capital than can a pensioner with his £5,000. But the pensioner is much

more likely to have the time to spend on establishing and maintaining—a vital point—a realistic and well-balanced portfolio.

One thing to have emerged from the horrifying experiences of the past two years is that there is now no such thing as the lock-away investment. The companies that should come right in the long term have developed, under the pressures of inflation and recession, a nasty habit of going under first. Nowadays, unless you are buying portfolio managers with the purchase of a unit or investment trust in which there is a heavy element of front-end loading on costs, you cannot afford to buy into equities on anything more than a two-year view.

Which fixed-interest investments the time limit is generally shorter, being more directly dictated by budgetary policy at home and abroad, although obviously the situation is different if you are buying a stock to hold to maturity.

The vital importance of watching markets has also emerged. All too many investors have hung grimly on to their equity investments, in particular, in the bewildered conviction that "dead" companies were good companies and that the rest of the world must, sooner or later, recognise the injustice being done. They

would have done much better to take a wider view and go liquid, taking a loss if necessary, in order to buy back at a lower price later on. That, granted, is easy to say with the benefit of hindsight. But it is, nevertheless, a lesson worth learning.

The third and most valuable lesson is that there is no such thing as the perfect portfolio. Unless you had timed your bear sales perfectly, there was no way of winning in either the equity or the fixed-interest market last year. Even on successful use of the money markets, you would have been losing out in real terms, with inflation and tax both taking their toll of the return. But getting the equity or the fixed-interest market would have been safe. The implication is that last year, as Mr Slater among others pointed out, the portfolio should have been heavily weighted towards cash, with a view to limiting its depreciation and maintaining flexibility, if nothing better.

In the first three months of this year, in contrast, you could have doubled your money in equities; and you would have come out rather more than a fifth to the good on most holdings in gilt. On money you would still have been losing out in real terms. The lesson is not that you should abandon any attempt to maintain a spread between equities, fixed interest and

cash. Under normal circumstances such a spread is still strategically best. But tactics call for flexibility—and a careful study of the relevant markets—before deciding on the weight to be given to each investment sector. And they also call for a speedy response to changes in the underlying circumstances.

With no capital gains tax payable on stocks held for more than a year, an assumption from stamp duty on purchases, and lower brokerage charges, the same is not true of gilt-edged investments. But there are obvious drawbacks to a portfolio composed entirely of gilts.

However, in the context of gilt and equity markets both restored to something like normality since the turn of the year, some people will enjoy grappling with the limitations of time and money to keep their portfolios in good working order. Those who do not—those who would rather shove their securities to the back of a

drawer than apply themselves to sorting them out—should consider buying professional management instead.

Choosing the right variety of professional management does require realism and common sense. Although the situation is better in the provinces, neither merchant banks nor the small investor. The definition of the small investor varies; but if you are looking for management in London you may assume that your portfolio will not be receiving the loving care that you would like if it is less than £50,000.

The implication is that unless you have some personal connection that will ensure the service you had better as a small investor put your money into managed funds—either unit or investment trusts.

Art market veers east

by Geraldine Norman

The trends of the last year have underlined with unusual vividness the links between politics and the art market. It has been a troubled year for a worldwide recession hit the pockets of the rich well before the middle-income brackets and prices in the art market began to fall in the summer of 1974.

The unpalatable realization that prices actually could go down panicked investors and things got even worse in the autumn. The low point was reached perhaps about Christmas. Since then most areas of the market have steadied and some have even seen rising prices.

The most sensational collapse in prices was in the Chinese porcelain market, especially in the exceptionally fine porcelain made in the seventeenth and eighteenth centuries for the Imperial court.

The market was badly affected by the Portuguese coup of April, 1975. A certain Portuguese banker had been consistently buying the finest pieces of porcelain that came on the London market. Hugh Mackay, an investment oriented dealer, had been consistently competing with him.

The coup removed the banker from the market and the bubble burst; by February of this year Mackay was forced to slash £1,050,000 from his stock value (originally £2,900,000). In June an Imperial coral ground bowl sold for £4,300; its twin had brought £30,000 only a year before.

The other side of the coin is shown by the Middle East invasion of the art market the cause of which can be traced to the Arab-Israeli war with the consequent use of the oil weapon and the vast new wealth of the oil-producing countries. The impact has been two-fold: in raising the value of art and antiques of Middle East origin, and in supporting the value of the most ornate European pieces.

It has been a good year for Oriental carpets, though the new Western buyers are very choosy about quality. Equally, the value of Persian miniatures, Islamic glass and ceramics has risen steeply. A group portrait of the 15 sons and grandsons of Fath Ali Shah, an amusing but naive Qajar painting of the early nineteenth century, brought £200,000 in April.

Even more curious perhaps were the high prices paid for paintings of the Middle East by European nineteenth-century artists. The painter, from France, England, Germany or Italy, found in the mysterious East a colourful scene which delighted collectors back home.

Now the Arabs and Persians are amused to recognize the forbears in the work of European painters. A painting of the Emir Bechir greeting the ruler of Egypt in 1831 by a Czech artist who worked largely in Germany brought £22,050 at Christie's in February. A mere £5,000 to £8,000 had been expected.

Of course there is also an element of insurance against troubled times in such purchases. Art and antiques are as good a way as any

of hiding money in times of political uncertainty—especially if you keep the goods abroad as many of the Arabs do.

Indeed it is notable that the more autocratic the regime the more the art market flourishes; that was true of Portugal before the coup. This year the most flourishing markets have been those of Tehran and South Africa.

Rely, on the other hand, is more than used to political instability of a different kind. For more than a decade Italian dealers and collectors have been among the most important forces in the art market. Here, one suspects, the main motivation is hiding wealth from the tax man.

Economic and political disasters in Italy reinforced the trend over the past year. In March a Gubbio majolica plate became the most expensive piece of European pottery ever sold at auction. It realized £55,000. Italy has also helped to strengthen the market in Old Master paintings and Continental furniture. The auctions held in Italy by Sotheby and Christie's went very well; surprisingly, as Italians are usually chary of being seen to bid at auctions inside Italy.

In contrast English collectors have been quiet this year. In addition to the general economic recession there has been the threat of wealth tax on works of art. Almost every traditionally "English" collecting field has suffered, but notably English paintings of the eighteenth, nineteenth and twentieth centuries. Furniture and silver prices have been bolstered, at least in the middle range, by the feeling that goods are safer than stocks and shares.

More serious from the long-term point of view have been the number of sales from old aristocratic collections designed to re-establish before the introduction of wealth tax makes them effectively valueless to their owners. With the arrangements at present outlined, deferred wealth tax combined with deferred estate duty and capital gains would carry the potential tax liability on the sale of an artistic or treasure beyond its actual cash value within a few years.

Among the important works to come on the market this year were Lord Norman's Parmigianino (1737/38); the fourteenth-century zengue horn of Savernake Forest (about £25,000); Lady Mersey's portrait of Sterne by Reynolds (valued at £100,000 but bought by the National Portrait Gallery for £50,000); Lord Bradford's portrait drawing of Anne Boleyn by Holbein (valued at £140,000 but bought by the British Museum for £70,200); and the first piece of cameo glass made in England—John Northwood's unique copy of the Portland Vase at £30,000. The last item, being 90 rather than 100 years old—and thus not deemed as an antique by HM Customs—left England without even the formality of an export licence.

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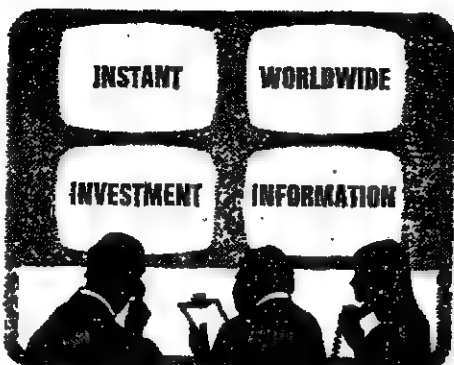
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Confidence in equities will not be soon repaired

by Adrienne Gleeson

Reason was restored to the investment markets just after the turn of the year. Over the preceding six months you might have thought that the City, normally composed of sober, rational, hard-headed men well accustomed to the assessment of risk, had of one accord developed a manic depressive streak of irresistible proportions.

For the equity market slide which had made the run-up to Christmas, 1973, a nightmare of collapsing values and horrifying rumours (a fair proportion of which subsequently proved to have some foundation in fact) was, by the middle of 1974, completely out of hand. And with the rate of inflation apparently rising towards Latin-American levels, gilts were in no better form.

So by the end of the year the yields available on fixed-interest investments were at unprecedented levels, while equities in a great many cases were selling at less than twice their annual earnings. That contempt for future earnings capacity was not restricted to the fly-by-night companies, all hope and no profits; nor was it limited to companies in sectors such as secondary banking and property which were acknowledged to be in deep trouble. It also extended to some of the pillars of the British industrial and commercial establishment.

There was a stage when a purchase of Woolworth could have doubled your money in four years on the yield alone; and it would only have taken five with Tube Investments or the Imperial Group. But by then there were not many people buying; in fact there was not much doing at all on the Stock Exchange, where the value of turnover in shares was less than half that in the 1972 bull market or, indeed, in the first months of this year.

The disillusion from the normal investment media related in part to the fact that it was not only impossible to obtain a real return on investment last year, it was also impossible to hope for one.

In the case of equities, inflation and dividend control between them eliminated any such expectation. Although the return on gilts was rising steadily (with yield at a taxable 12 per cent to 15 per cent), inflation was approaching 20 per cent and likely to go higher, and they had little to recommend them. Meanwhile there seemed no prospect at all of making up in capital gain the leeway lost on income. Small wonder, then, that the classic investment media were out of

favour and that such enthusiasm as there was directed itself to the more exotic alternatives and particularly to gold, which by the end of the year had assumed some of the characteristics of the investor's universal panacea—a panacea, however, which lacked income attractions.

It is possible to see the recovery in the equity market from January 6, when the index reached its low point, in terms of the same flight from money. That, however, is too simple. It is a fact that while in London brokers and fund managers alike were wringing their hands in despair over the seemingly endless falls in capital values, in Edinburgh they were buying—and buying heavily.

As usual there was more hysteria than historical realism reflected in the final stages of the bear market—only this time it was not, as usual, a case of the small investor coming in only to lose at the bitter end. Most small investors have had their heads well down since the end of 1973; too scared to buy and too furious to sell. The question now must be whether they will ever recover the nerve to come back into these markets in force.

There is no doubt that last year's panic, however transitory, has shaken confidence in equities as an investment in a way which is not likely to be soon repaired. As the secondary banking crisis at the turn of the preceding year destroyed those widespread claims that property was the ultimate in safe and inflation-proof investment, so last year's developments in the equity markets have demolished the argument for shares as an inflation hedge. Its successor—the argument in favour of shares as a defensive appreciation of assets rather than an aggressive belief in earnings. Nowadays the few proponents of the old theory tend to preface their remarks with loud appeals

to experience in the longer term. But in the longer term, as Keynes pointed out, we shall all be dead. The implication is that investment in shares is inevitably going to become a much more active business, with investors obliged to take profits—and much more ready, to keep a weather eye on the market as well as on their individual holdings, and to follow the example last year set by Mr Slater occasionally going liquid when circumstances require it.

Those investors who have not the time, the inclination or the money to deal actively should probably think about cashing in their holdings now—or take advantage of a share exchange scheme. For in today's conditions it is definitely better to have reputable managers looking after the funds than the odd clutch of share certificates stashed away in the hope that things will come right in the long term. The concept of the share as a long-term investment is a defunct. Too much can happen too fast, as the British Leyland affair has underlined.

What the British Leyland and the Burnish affairs have also underlined is the increased willingness of shareholders to stand up and fight. The institutions have also adopted a more critical approach to company management—which, considering how deeply some of them were involved with the messier situations of 1973-74, was only to be expected. It has not prevented them, with massive liquidity building up in the absence of any suitable investment vehicle, from fueling the share boom at the beginning of this year, on the back of which there has been a succession of rights issues which are only now running into serious trouble.

Meanwhile those companies reluctant to issue securities at what are still historically high yields and low earnings multiples, have started to use the convertible and debenture markets instead. Since the big resurgence in gilts at the beginning of the year on the strength of falling interest rates there has generally been very little volume in the secondary fixed-interest markets; even the improvement in gilts on the £5 a week maximum wage announcement failed to stimulate much activity outside the gilt market itself. However, there have been developments in these markets which might set patterns for the future. Notably there have been companies' attempts to buy in outstanding debt. Slater Walker and Gallaher being the most recent examples. And there has also been, in some high coupon borrowing—the £5m Morrisons debenture placing at 15½ per

cent for example—which has been notable for the fact that companies are prepared to commit themselves to borrowing long-term money at such rates, and partly for the fact that they have been in a position to do so long as the high fixed rate at all.

Performance in the gilt market itself has been overshadowed throughout the year, and particularly since summer, by the weakness of sterling, which has not so far been much alleviated by tough talking on inflation from politicians of all parties. The loss of some evidence of a way out of the current predicament, and the intention to cut public spending. Last year investment trusts widening share

portfolios, and the loss of some evidence of a way out of the current predicament, and the intention to cut public spending. Last year investment trusts widening share

Margaret Stone writes on the increasing use of unit trusts for investment

The unit trust industry, it has been said, is a mirror of the stock market. This description is proving just as accurate this year as it was in 1974. In fact last year was the worst year for four years for the industry which sold only £194.9m. of units, almost a record for the industry.

In both cases, there were welcome developments, with the latter a useful guide to growing professionalism among unit-trusts—not to mention the increasing use of unit trusts as an investment vehicle by financial advisers.

There are also signs that the unit trust industry is increasingly willing to assume collective responsibility towards shareholders in situations where the companies they invest in are possibly not acting in the best interests of investors.

The Association of Unit Trust Managers has always been an active member of the Investment Protection Committee, the institutional pressure group set up in the early 1970s to nudge companies where management was felt not to be coming up to scratch.

First, the management groups have not swamped potential investors with unit trust advertising during the strongly rising market. Second, unit-holders began buying very quickly rather than delaying their sales until the market had almost reached a peak. In both cases, there were welcome developments, with the latter a useful guide to growing professionalism among unit-trusts—not to mention the increasing use of unit trusts as an investment vehicle by financial advisers.

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This year's Coats Patent unit trust, among others, strong decision board to have done in lieu of a dividend. The new association is known as the Unit Trust Association, and its members are unit-trust managers. The trial of the economic unit trust groups, there have been failures, but such as Natrel were subsidiary companies, there have been management seen in the past eight months have been the smaller index have also been the next 12 to be charged number of the

Composite insurance groups improve

continued from page VI

tion and inflation really took effect.

If those figures are widened to cover the 280 member companies in the British Insurance Association, last year's total underwriting loss rises to £115m while the total investment income earned rises to £377m on invested funds of £5,272m.

The biggest territory loss suffered by BIA members in 1974 was in America, where the 1973 underwriting profit of £5.7m became an aggregate deficit of £44.3m. That was mainly caused by the sharp reversal from a £7.7m profit to a £33m loss on fire and accident business reflecting the adverse situation in liability insurance already described as well as severe storm damage.

Naturally those British composite groups with the biggest proportion of the business in America suffered most. They were Royal, with 38.8 per cent of its business there; General Accident with 36.1 per cent and Commercial Union with 34.9 per cent.

(stockbrokers Wood, Macleod & Co.). Conversely, those groups stand to gain most now that the American insurance market is at last, slowly, beginning to recover.

By contrast, BIA members made a combined underwriting profit of £23.2m in Britain last year, though that was well under a half of the £57.4m profit in 1973. Fire and accident business profits fell by more than half to £21.4m, reflecting the Flixborough disaster among other factors.

British motor insurance profits fell from £12.7m to £1.8m last year despite a 10 per cent rise in premiums to £507m. That explains why the retiring chairman of the BIA, Mr Aonghus Macdonald, gave a warning in June that British motor insurance premiums are bound to rise again substantially this year.

Since then four groups, the Sun Alliance, National Insurance and Guaranties, Cornhill Insurance and Phoenix, have all raised their annual motor premiums by between 15 and 18 per cent. More companies seem certain to follow suit.

In British fire insurance the difficulty for the insurers is not so much one of raising premium rates as of persuading policy-holders to insure to the true value of their property and possessions. As Lord Aldington, the chairman of Sun Alliance, put it in his last annual report: "The relentless and increasing inflationary pressures are leaving too many of our policy-holders with inadequate cover despite our efforts to persuade them to match their sums insured with current values". That view was echoed by the chairman of several other composite groups in their annual reports.

A similar difficulty exists in British personal insurance where, as Lord Aldington commented, again in his annual report: "Under-insurance is far too common and we are trying to help the public to realize the need to increase their sums insured on buildings and contents so as to reflect current replacement costs".

In life insurance, insurers have been faced with a different problem in Britain from those facing the composite groups, though the com-

posite groups usually have some interest in the life field too. Companies such as Prudential, Pearl, Refuge and Legal and General are among those dominating life assurance.

Their difficulty was that the fall in stock market and other assets values throughout 1974 meant that their total assets diminished sharply in relation to their liabilities to policy-holders. However, because the corollary of falling asset values was rising interest rates, the life offices were able to revalue to an actuarial device and discount their liabilities back to the present time at a higher discount factor, and thus redress the balance between assets and liabilities.

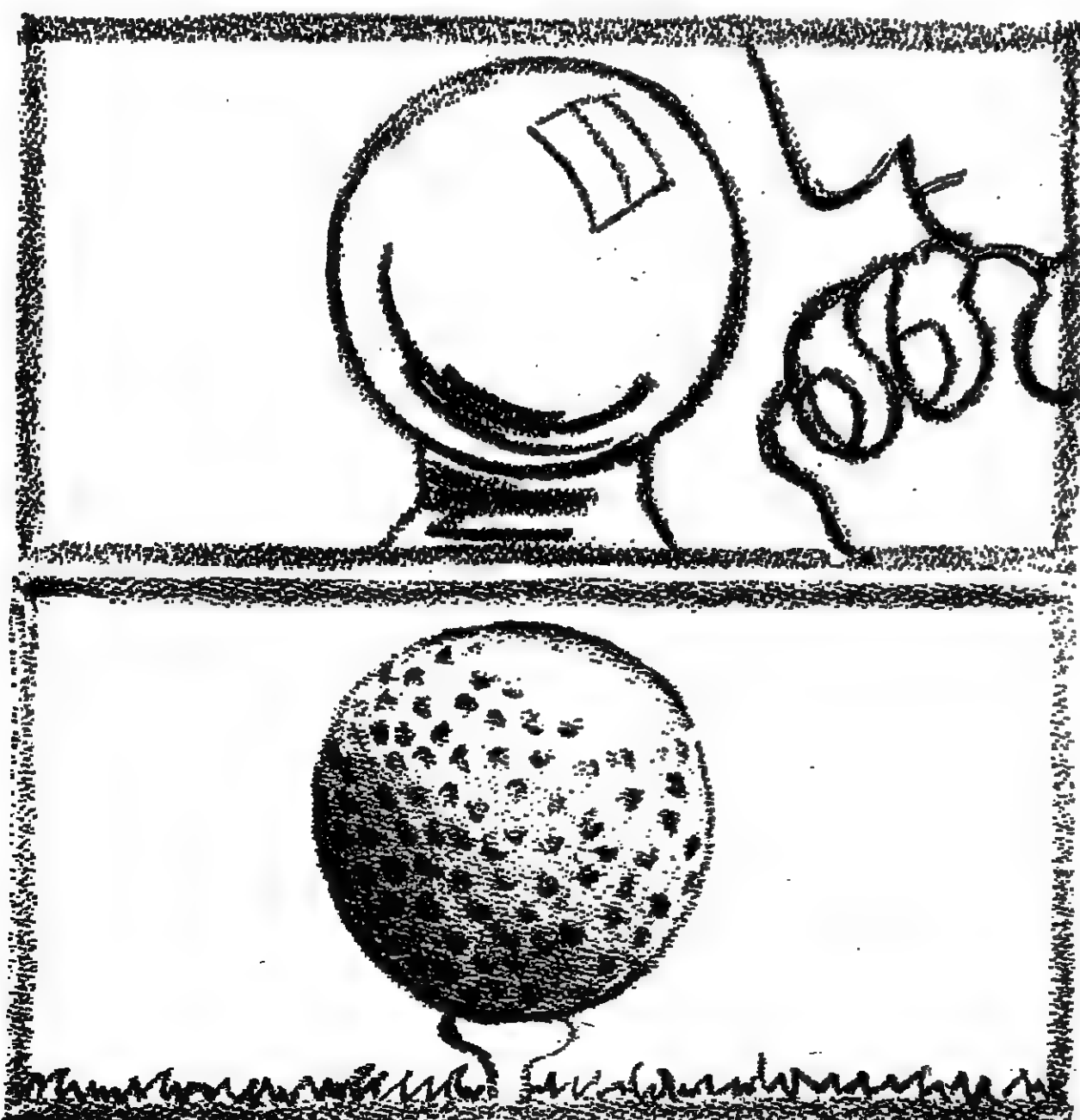
Moreover, as long as their investments are yielding sufficient income to match their payout in any one year the life offices do not have to worry unduly, except in so far as they need to produce sufficient capital appreciation on their investments to meet the demands of with-profits policies.

Life business premiums continue to rise healthily in Britain, reflecting an in-

creased volume of the public's interest in life insurance.

Pensions but until recently well. As Mr K Wood, chairman of the annual report standing the un-

ment last May Reserve Schen written a consi- ber of (group ness) schemes, very large. To income for at schemes is now about £70m. That compares pany's annual come of £221 classes of busi However, the persons in the has given a severe pension sets these negotiated months before.) will show the pension funds, the time for pension vent at a rate Britain, reflecting an in-



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LETTERS TO THE EDITOR

IT WAR OR PEACE?

But not the kiss of peace... up affair, if you ask me, I think that this peace is like an end nor like a beginning... nion of Elor's Messenger reconciliation between and Henry II is also that Israelis and many Arabs agreement at long last yesterday by the and Egyptian govern. It will also be that of Americans whose confid- their Secretary of State in badly eroded by the of the agreement which nated with North Viet- and for whom the most- ous features of this new- ment are the massive- ture to which it commits- ican taxpayer and the- t it involves for the first- t deployment on the- East battlefield of- in personnel—"civi- but necessarily men of- training and playing a- the highest military- pce.

precisely because they- ad to negotiate in an- ere of bitter scepticism- izes that the conclusion- agreement must be- as an act of great perse- and moral courage- three parties directly- t: President Sadat, the- States Administration- igrant Ford as well as- igrant had to bring- ige and authority to- and the Israeli Cabinet- of them, if granted a- can point to solid- ices which their countries- ie to reap from it.

Israel, the agreement does- ize the Egyptian declara- f non-belligerency which- realistically demanded the- negotiations in March- ick, being revocable at- ould in fact have been of- utable value. But it does- an undertaking not to use

force (which to the layman sounds remarkably like a statement of non-belligerency) and provisions—a wide buffer zone and an elaborate early-warning system—which make it impossible for Egypt to achieve any degree of surprise if it decides to break that undertaking. For the next three years at any rate, another Yom Kippur is ruled out. Egypt is allowed to move her forces forward only a token distance. But she gets back the Abu Rudaia oil wells and she does obtain Israeli withdrawal behind the Mitla-Giddi range, while the early warning system should help protect her too against another Israeli pre-emptive strike like that of 1967. The Suez Canal and the cities now being rapidly rebuilt along its banks are that much less exposed to the risk of a new destruction; and Egypt as a whole will hope to be regarded by Western investors as less of a bad risk. But how far that hope is gratified will probably depend on the willingness of Arab oil-producers to underwrite the investments, and that in turn may depend on how far Mr Sadat can convince them that the agreement furthers the Arab cause in general rather than purely Egyptian interests. The same question must affect the attitude of the Egyptian armed forces on whom Mr Sadat's power ultimately depends, who must view with misgivings the constantly worsening relations between Egypt and her principal arms supplier, the Soviet Union.

The further detachment of Egypt from the Soviet Union and the avoidance—or at least postponement—of another Arab-Israeli war are the main benefits gained by the United States. A head-on clash between America and the Arab World is something for which the Pentagon may make contingency plans but which the State Department and the White House are willing, rightly, to go to great lengths to avoid. That is why the Middle

East has had top priority among Dr Kissinger's preoccupations ever since October, 1973, and it must be said that whatever setbacks American foreign policy has received in South-East Asia or Southern Europe, in the Middle East it has scored a series of striking successes. Even the two leading Soviet protégés in the region, Syria and Iraq, seem increasingly interested in attracting American investment and in their quarrel with each other are vying for the support of such pro-American neighbours as Saudi Arabia, Jordan, Egypt herself and even Iran. Among the Arab states only Libya has moved noticeably closer to Moscow in the past two years.

Are we then witnessing the dawn of a Pax Americana in the Middle East, as some commentators have suggested? Dr Kissinger himself is certainly too wise a man to take that for granted. He knows that this agreement gives at best a limited breathing-space, and that it can easily be upset by the Syrians if they make up their minds to provoke Israel into a new pre-emptive strike against them which would release Egypt from her new obligations. A war started in those circumstances would probably give Israel another military victory, but it would still pose acute political problems for America and the rest of the world, and in the long run for Israel herself.

To get even this limited agreement, Dr Kissinger may have had to promise the Israelis that he would not subject them to further diplomatic pressure. But he can scarcely avoid trying to persuade them in their own interests that further efforts to reach understanding with Syria are necessary, and that sooner or later the Palestinian nether must be grasped. And surely he must point out to them that the search for peace is gravely prejudiced by their policy of planting more and more settlements in the occupied territories.

The bombings in Britain

From Mr David Trimble

Sir, The final sentences of your leader today (August 29) mark a beginning of wisdom with regard to the problems in Ulster.

Allegiance is an indivisible issue, and while a minority in the community remain violently opposed to the existence of the state, then the representatives of the majority of the community have no choice but to insist that governments reflect the allegiance of the majority. The only conceivable way in which the naive desires expressed at Westminster for some form of "power sharing" could ever be realized, would be if some minority representatives were firmly, demonstrably and irrevocably unionist (with a small 'u') in outlook.

Your realization of Westminster's chilling responsibility for the mayhem in Ulster is also welcome. Westminster dismantled the local and effective security forces, then by indulging in ambiguity on the basic issue, and by failing to discharge the duties it so blithely assumed, it positively encouraged the republican offensive; and if English people feel angry today after two comparatively small bomb attacks, can they imagine the anger in Ulster over the countless outrages of the past six years; and can they imagine how that anger is fuelled by the knowledge that the authorities at Westminster are half-hearted and unready to discharge their responsibilities to the Ulster people.

Finally, the suggestions elsewhere that the bombs in England are the work of a splinter group of the IRA seem rather naive. The IRA have always claimed that one reason for their inactivity was that they were expecting a declaration of intent to withdraw from Ulster. Two days ago Mr Rees finally broke his silence on this particular issue by assuring the people of Ulster that Westminster would continue to discharge its obligations to Ulster. Are these bombs then isolated events in that context? Yours, etc, DAVID TRIMBLE, The Northern Ireland Convention, Stormont, Belfast, August 29.

From Mr Alan V. Carr
Sir, There is a danger that the renewed wave of republican bombing in Britain may provoke an upsurge of anti-Irish emotional feeling, and that feeling, if unchecked, could lead to counter-terrorist attacks on innocent Irish immigrants living in Britain and give rise to considerable disruption

in British society. This danger can best be averted by conscious political action designed to redirect the justified anti-republican sentiments of the British people into positive and useful political channels.

May I suggest that this could be done in the following manner:

(1) The British people could demonstrate their moral commitment to the defence of Northern Ireland's status as an integral part of the United Kingdom. Republican violence in Britain is motivated by a belief that the British people are uncommitted to the defence of Northern Ireland and can be terrorized into "withdrawing" from the province. If this belief can be shattered, the principal motive for republican violence can be removed.

(2) The British people could launch a political campaign to force the Irish Republic to drop its constitutional claim to sovereignty over Northern Ireland—a claim to sovereignty over part of the national territory of the British state. The maintenance of this constitutional claim leads a cloak of legitimacy and thus gives encouragement to the Irish republican movement. It enables that movement to claim that it is acting on behalf of the "Irish people".

(3) The British people could launch a campaign to force the government of the Irish Republic to negotiate an effective extradition treaty with the United Kingdom. If this were done, republican terrorists in the United Kingdom (in Northern Ireland as well as Great Britain) would no longer have an easy escape route open to a safe haven in Southern Ireland.

If the British people were to launch a political campaign along these lines they could bring republican violence in Britain to a speedy end. And they would also be making an enormous contribution to the restoration of peace and stability in Northern Ireland. A demonstration that the British people were absolutely determined to defend their way of life and their territory which lies across the Irish Sea would confront republicanism with the certainty of defeat.

This would sap the republicans' will to fight and, furthermore, it would remove the doubts and fears which gave rise to loyalist paramilitarism.

Yours sincerely,
ALAN V. CARR, Chairman, Policy Sub-Committee, Northern Ireland Labour Party, 1-5 Cheviot Avenue, Belfast, August 29.

A doctor's disclosures

From Mr Geoffrey H. Crispin, QC
Sir, It was with considerable perturbation that I read your report today (August 30) that Dr Julius Marry, the Director of the alcoholic unit at West Park Hospital, Epsom, had said that he had two judges on his books and that he was thinking of writing to the Lord Chancellor about them.

I imagine that anyone reading that report will have been struck by the thought about seeking help from that particular alcoholic unit.

In my long experience at the Bar doctors have always expressed the view that there is a privileged relationship with their patients, and in litigation and otherwise have refused to give any information to the other side until brought to Court on subpoena, taken their objections to giving evidence, and then been directed by the judge to answer the questions on the perfectly proper ground that there is no privilege in law between doctor and patient—though many of us think there should be.

It is a grim outlook for these unfortunate alcoholics, whether judges or bricklayers, if they run the risk of losing their jobs as a result of seeking help.

Yours faithfully,
GEOFFREY H. CRISPIN, 3 Dr Johnson's Buildings, Temple, EC4, August 30.

Selection of Bishops

From Miss Valerie Pitt
Sir, It was predictable that some loyal and indignant churchman, someone who had been consulted about the appointment of the Bishop of Bristol, would rush to refute Mr Hawkins (letter, August 25). Canon Coleman and the Bishop of Malmesbury (August 29), and no doubt, quite right: the Patronage Secretary by all to launch a tit-for-tat in his inquiries. But that is not the point.

The gravamen of Mr Hawkins's complaint was that, like so much

Establishment decision making, the system of episcopal appointment is closed, secretive. Those who are consulted know that they are nobody else does—not does the Church as a whole know whose advice is taken, who makes the effective choice, or is influential in the appointment of a new bishop. We do not know, for instance, what roles are played by the diocesan archbishops or the prime minister, nor indeed by the Monarch and her advisers.

The Bishop of Malmesbury will remember that some of us tried very hard, when we were members of the Chadwick commission, to get straight answers on such matters—but with no luck. Not surprisingly, besides any number of prime ministers, only the Patronage Secretary knows the answers and as he is the servant not of the Church but of the Crown, it was not proper, as they said, for us to question him. All the same the commission, or most of it, could not feel easy with the existing system and recommended certain changes.

That was five years ago. Since then the Church's synods have, after protracted discussion, endorsed the commission's view and asked the archbishop to approach the prime minister in the matter. Dr Coggan admits, with some reluctance, that he did call at Downing Street with "no undue delay" (about a year after the general synod's decision) but will go no further. The matter, in spite of an evident and growing wish that the Church shall manage its own appointments with a decent openness, has again gone behind the establishment's scenes.

Most of us dislike this sort of thing in secular government. In the Church it ensures, as your columns witness, that every crown appointment, however "right" is a potential source of scandal and distress. There should be no more delay (due or undue) in making a change. Yours sincerely,
VALERIE PITT, Head of School of Humanities, Thames Polytechnic, Wellington Street, London, SE18 6PF.

Government advertising

From Mr Michael Barnes
Sir, The possibility that the Independent Broadcasting Authority may have to decide that television commercials urging compliance with the Government's £6 pay increase policy contravene the terms of the Act governing independent broadcasting underlines the whole question of whether it is proper for the Government to launch an advertising campaign of this kind in any of the mass media.

The use by governments of advertising and marketing techniques to help achieve social policy objectives is, of course, nothing new. We are used to government advertising urging us to drive carefully, save energy and stop smoking, but the £6 pay limit campaign is in a different category.

In a contribution to the First International Social Marketing Congress, which was held in Brussels earlier this year, I suggested that the use by governments of social marketing techniques to further their policies should only be considered ethically acceptable where the policies were social rather than political and where there existed a high degree of support for the policy in question. Road safety and health education advertising campaigns clearly meet these criteria, but the £6 pay limit campaign does not.

There was once a famous Feiffer cartoon about a government that attempted to ally fears about nuclear fallout by covering the countryside with hoardings saying "black specks are good for you". This, of course, was a joke, but qualitatively it was an extreme example of the same kind of propaganda campaign as the £6 pay limit campaign. Qualitatively, both are different from social policy advertising campaigns like those for road safety and health education.

The distinction is crucial. It is not good enough to say "Oh well, inflation is so bad that the £6 pay limit advertising campaign is justified, even though it is political and even though the policy fails to command universal support." If the IBA allow the £6 limit television commercials, they will be making it easier for another government to come along in different circumstances and attempt to brainwash us, at public expense, into supporting some far less reputable policy.

The £6 pay limit advertising campaign ought not to have been launched in any of the media. The onus must be on politicians to drum up support for their own policies. They ought not to resort to paid-for advertising in order to create a consensus.

Yours faithfully,
MICHAEL BARNES, 45 Ladbroke Grove, W11.

Anomaly of index-linked pensions

From Mr Martin Paterson
Sir, Sir Alastair Pilkington (August 27) draws attention to the unfairness implicit in the provision of index-linked pensions (financed out of current account) in the public sector which the private sector, with its reliance on fundings, lacks the current financial resources to match. The "unfairness", a word one is justified in using since it is so frequently on the lips of government spokesmen, does not stop there. For the Government's counter-inflation programme effectively removes from companies for the time being the means by which they can raise their future pension standards to the level now enjoyed by public service employees. This is because any additional amount set aside out of current earnings for this purpose have to be set off against the £5 a week limit on wage increases.

Apparently the guiding principle we are asked to follow is that you can pay as much as you like later on so long as you do not start saving for it now.

Yours faithfully,
MARTIN PATERSON, Chairman, Martin Paterson Associates Ltd, 10 Hertford Street, Park Lane, W1.

From Mrs S. M. Liddall
Sir, It is difficult for ordinary folk to understand the logic of Mr Wilson's "rough justice". For instance:

(a) Civil servants earning £8,500 plus are to have no increase this year.

(b) The index-linked pension of a Permanent Secretary starts at £9,340 per annum. This will be increased by at least 25 per cent this year. There is no ceiling on these pensions.

It follows that there is no incentive for top men at the Treasury (who are about to retire) to consider the inflationary aspects of their advice to governments. There is no penalty for them (as there is for the rest of us) when the advice they give is bad.

Surely a ceiling on their pensions of, say, £10,000 would help to concentrate their minds.

Yours faithfully,
S. M. LIDDALL, 41 Swaffield Road, Sevenoaks, Kent.

From Mr J. H. B. Gowan
Sir, There is yet a third class of "pensioner", whom Mr Pilkington, in his excellent letter of the 27th, does not mention: I refer to those who have worked on their own or for small firms all their lives and have thus been unable to join any pension scheme. They put their money aside each year for their old age and invest it as best they can, but when they retire they find that the income therefrom, far from being index-linked, is treated as unearned income and taxed at penal rates with surtax to boot. Their lot is far worse than that of even the private sector.

As I am one of these unfortunate, may I ask that my "pension" be protected in the same way as that of public employees, or at least that it shall not be penalized.

Yours truly,
J. H. B. GOWAN, 38 Old Slade Lane, Iwer, Buckinghamshire, August 27.

'How to ruin a country'

From Mr Vermont Royster
Sir, I am much flattered by the attention you gave in your issue of August 21 to an article of mine that appeared in the *Wall Street Journal* regarding the economic problems of Great Britain. Your correspondent, Fred Emery, accurately reported the substance of my view that Britain has been brought to its present plight not by ill luck or outside forces but by its own doing, specifically by the economic policies of the government.

None the less, from the reaction I fear that there has been some misunderstanding. A BBC radio interviewer suggested that some people might think I was "cheeky" of me to tell the British people "how to run their country". One letter writer has accused me of being anti-British, another inquires why I have given way to "despair".

May I say, first of all, that I wrote the article for the American not for the British reader. My intent was to draw attention to the consequences of certain policies which, in varying degrees, are being followed in my own country. It never occurred to me that the article would attract so much attention in Britain, especially since I said nothing not previously said by others in the columns of the British press.

As for being anti-British, in some forty years as a journalist specializing in politics and economics I have visited Britain many times. This year I chose to spend six months there precisely because I admire its system of government, indeed all the qualities which make it the most civilized of countries. Perhaps that is why I view its present problems with an extra sadness.

But I assuredly do not despair of Britain. Its people have shown too often that once they recognize the reality of a problem they meet it with resolution. There are signs now, including the Prime Minister's recent speech, of a growing political consensus that the nation must put its economic house in order, freeing the energy of the people from the stranglehold of inflation and the oppression of taxation. If that happens I am convinced that Britain will surmount its difficulties once again and have a prosperous and vital future.

I hope nothing I have written causes any misunderstanding about that.

Yours very truly,
VERMONT ROYSTER, 303 Arrowhead Road, Chapel Hill, North Carolina, August 28.

Yesterday's pleasures

From Mr A. W. Gorton
Sir, Not so different from today's. The same old blood, sweat and tears. But then we had Winston Churchill. I remain, Sir, yours faithfully,
A. WINIFRED GORTON, Trevone Hotel, Bognor Regis, Sussex.

From Mr Wilfred Rayner
Sir, Pleasure youth will never know: When I received a golden half sovereign in my pay. When it rose to twelve and sixpence a week as a messenger at Printing House Square in 1914. I was thrilled.

Yours sincerely,
WILFRED S. RAYNER, 327 Blandford Road, Beckenham, Kent.

From Colonel C. F. H. Gough
Sir, Law and order. Yours sincerely,
FREDERICK GOUGH, Weavers, Lodeworth, Near Perworth, Sussex.

From Mr A. D. Bowers
Sir, The handling of a few of the most beautiful of all coins, the golden sovereign, or wearing three at the end of my gold Albert in a sovereign case for three or seeing the man in the bank shovel up a

pile in a brass shovel and fling them into the scales to count them. Or driving the pony and trap down the quiet main macadamized road into the town. Or running up to London for 3/4 return normal fare. Yours faithfully,
A. D. BOWERS, 56 Main Road, Sutton-at-Hove.

From Mr E. W. Ogleshorpe
Sir, Must yet another of the "few remaining pleasures of life" be removed from us?

When I take my family out in the car one of the favourite distractions is to spot the funny car numbers like URA 1, or T 42, or to collect names like BOB and ADA.

I should have thought that the actual ownership of such treasures by an enthusiastic minority was as harmless an indulgence as could be imagined, but today you report that a certain minister wishes car number plates to become government property.

For how long then will Bob and Ada be able to enjoy their T42, I wonder?

Yours faithfully,
E. W. OGLESHORPE, West Glen Andred, Groombridge, Near Tunbridge Wells, Kent.

Car numbers

OLIGANISM AND FOOTBALL

atinople, according to adopted the follies, not the virtues, of ancient. The same factions which played the circus raged redoubled fury in the "bombs." And on one occasion green faction, having rously concealed stones aggers under baskets of nassacred three thousand. Our own troubles in, and e way from, football a pale beside that early e of the high spirits of fans, but they are bad in all conscience.

worth putting up with a keep association football a (the) spectator sport. followed with huge interest, as excitement and display. The business of being a supporter, turning out team, gives scope for lip, partisanship, rough shins, and heckling wit. was should not go too about the cost of policing unds and controlling the outside for so popular hurally rooted a sport. recent years, in Britain, ly, professional football own an exorcism of rism and violence. There has been an element of rounding the game, some city licensed by custom e Celtic and Rangers

matches in Glasgow, but it has now become general and obtrusive. Society rightly demands protection from it.

It is said that the magistracy is too lenient with offenders who are charged and convicted. Perhaps it is not as consistently severe as the situation demands, but the reported cases do not give an impression of softness. Six months imprisonment for threatening behaviour, £100 fine for the same offence, three months for having a stone as an offensive weapon—these are not light sentences. Some juveniles are ordered to report to an attendance centre for several Saturday afternoons, which is a fitting punishment that should be used more often; and in cases of malicious damage to property a community service order could be used to oblige the offender to make amends in the most direct way. But as with other sorts of crime it is the likelihood of arrest which is as much a deterrent as the probable sentence. Yet it is particularly difficult to make arrests that are better than random when hundreds of people are milling around in disorder. Alcohol is a conspicuous contributor to the misbehaviour, and much more could be done by football clubs, supporters' clubs, carriers and

local publicans to keep it out of the way.

A committee under the chairmanship of Mr Denis Howell, the Minister for Sport, has just offered new advice to clubs about crowd control and the avoidance of hooliganism. The first Saturdays of the season do not speak well for its efficacy, but it deserves to be given a try. In the end the football clubs themselves will have to be made to assume greater responsibility for the behaviour of their supporters. The European football union (UEFA) fixed on Leeds United responsibility for its supporters' behaviour in Paris in May by suspending it from two European club competitions. That sanction may have to be more generally applied.

At present the clubs, for perfectly understandable reasons, are reluctant to try remedial measures which would run them in for heavy expense (converting terraced stands to seats, for example) or might interfere with attendances (issuing club passes without which entrance would be barred). The position has now become so serious that more of their cooperation is needed—and it is now in their own best interests, for if the exorcism of violence is not removed it will kill the game as a mass spectator sport.

world has seen". I believe no serious discussion about transport can take place in conclusions unless it takes place in full realization of these two factors.

Your judgement that buses provide inter-city transport at "far lower cost" than rail implies assumptions that must be highly arguable. I do not know of any cost studies in this area that make comparisons on a like-with-like basis that includes all relevant factors. When comparisons have been attempted, they frequently compare a hypothetical best road situation with current, acknowledged rail deficiencies. Ignore the all-important issue of social and environmental factors; or pay no attention to measures such as efficiency of fuel utilization.

You also appear to play down the system element in transport. It is certainly possible to regard heavy, regular flows of freight traffic from purely local angle, and carry them with specialized equipment. But passenger and parcel traffic can only sensibly be treated as a national or even international pattern, demanding the highest degree of standardization of technology.

We must not go back to the days when the gauge changed at every frontier. The need inevitably limits the power of local groups in making their decisions about transport. It is for this reason also that the Beeching era cuts of the rail system were so damaging; a system must be regarded as an organic whole, and can only die under a policy of amputation of ever larger limbs.

Above all, I believe it is vital to plan transport in the widest possible context. No planning decisions should be made at any level without full attention to their transport content; no transport decisions without due examination of their effect on all other fields. Transport is arguably one of the two or three strongest determinants of the society we live in; realistic and unbiased debate is long overdue.

Yours faithfully,
MALCOLM D. PEEL, 68 Belfield Road, Strathallan, Derbyshire.

processes of commercial negotiation". In Wales, however, we are having to pay the economic price of not doing so. In my constituency recently, we lost a major industrial development partly because of the price of water. Companies as wide apart as in Cardiff and in Holyhead have had to reconsider their commercial viability because of the price of water to industry in Wales. And ratepayers have to meet exorbitant bills—sometimes for water which they cannot obtain for large parts of the summer.

You were, however, right in one aspect. I was very optimistic in thinking that Parliament would reassemble to debate a problem that is of crucial importance to Wales, but can only land England with greater charges—either from the ratepayer or the taxpayer. We have long since realized that Wales can expect no such fair play from Westminster, and that is why a growing number of my generation in Wales are determined to achieve full self-government.

Yours, etc,
DAFYDD WIGLEY, House of Commons.

Local transport needs

From Mr Malcolm D. Peel
Sir, The key role of people at local level in transport decision-making can rarely have been more cogently stated than in your recent editorial (August 23). However, I believe the ground is even thornier than you say.

Competition between modes is unavoidable in transport. All modes seek to carry the same traffic. Canal, rail, road and air transport survive on regular, long-distance flows, whether of passenger or freight. All would wish to shed short haul, highly peaked, and irregular traffic.

Transport is also a field in which lobby-power is of critical importance. Pressure groups of all kinds abound, and have had demonstrable effect on all aspects of policy making. In particular, the strength of the road transport lobby in recent years has fully justified its description as the "most powerful the

Water
Mr Dafydd Wigley, Plaid Cymru for Carnarvon
I rather facetiously editorialized that the two central issues to my calling for water rates to resemble to debate the committee Report on Water in Wales.

My report was submitted to the House of Commons in July. It has been reported in that the report was not published the week after Parliament went into recess. This longest possible delay APs could have an opportunity to debate it, and furthermore, since was at a time when interest is minimal and people are away on holiday, to doubt in my own mind (tuning) was to minimize the embarrassment for the Government who are divided on what to take as a result of the recommendations. Such avoidance of an issue can only be a sign of the Government's parliamentary democracy.

Second place, Plaid Cymru called for equalization of water rather the right to raise on water compounded in the use of authorities Wales; this could be combined with a royalty that might be oil or mineral extraction. "he Times" argue that because oil exploration company should capital in its extraction, it should therefore of any royalty charges? To you do, that Wales might pay England a drainage (sic) for taking the water, as good as to argue farmers of the American should pay people to take in, since they benefit from erosion of soil erosion where grown? Should the villager also have paid for the loss of losing their homes for Liverpool a?

ideal world of *The Times* it is an unnecessary complication water through "the normal

Chrysler's UK plants face short time after Iran orders fall 20 pc

By Clifford Webb

Chrysler UK has been forced to introduce short-time working at all its plants because of falling sales on the home market and an unexpected 20 per cent cut in orders from Iran, its biggest overseas customer.

A company spokesman yesterday blamed the high level of import car sales for Chrysler's predicament in August.

With imports taking an all-time high of 40 per cent Chrysler's market penetration is understood to have dropped from 8.5 per cent to 6 per cent.

The Iranian cutback is probably the most significant development, however, Chrysler has been relying on a sharp increase in Iranian demand to take up some of the slack in the home market.

Last year the company delivered some 80,000 cars to Iran. This year it was expected to deliver 125,000 cars, but delays in the consump-

sion of new paint and trim facilities at Iranian National makes this impossible. The new target is now some 123,000—a cut of around 20 per cent.

Details of the short-time to be worked during September and October were given to shop stewards at all the plants yesterday.

Between one and six days will be lost at the Swindon, Coventry, engines and transmissions plants, the month and two days at the Ryton assembly plant, Linwood, Renfrewshire, will lose five days and Dunstable (panel vans) about three days.

The stewards were told short-time working would be in effect in October.

Chrysler has been working full time, but at reduced capacity, since the last batch of extensive short-time ended in March. Since the beginning of the year the labour force has been reduced by about 2,000 to the present 75,000.

Bank called as adviser by Haw Par

By Our Financial Staff

International Property Development Corporation's concern with its Kirby-based industrial offshoot was put into receiver-ship and subsequently taken over by a workers' cooperative, is proposing to pay holders of its 100,000 shares of stock £50 for every £100 nominal of stock they own.

The proposal follows the filing of a winding-up petition by IPD in June after a secured creditor had attempted to enforce its judgment against the company.

The hearing has been adjourned to allow the company to finalize plans to sell its Trinidad assets for £6.7m, of which £1.5m will be payable immediately and the remainder over 20 years. IPD is proposing to use the proceeds of the initial instalment to pay the holders of its £12m of 7½ per cent unsecured loan stock £1.188 and other unsecured creditors.

The company says, in a circular to shareholders, that if these proposals go through, it should be in a position to apply for dismissal of the winding-up petition. First, however, at least three quarters of the stockholders will have to approve the offer of £50 for each £100 nominal of stock held.

By Margaret Walters

Guinness Mahon, the merchant bank, has been appointed financial adviser to Haw Par's Singapore-based holding and trading company. The company is being investigated by the Singapore authorities in the wake of its abortive deal with Pemas, the Malaysian state agency, which is itself trying to resolve the London Tin bid situation.

The appointment, arranged discreetly just over two weeks ago, is quite separate from the earlier arrival of Schroeders, Wagg and Baring to advise on the deal, it is alleged.

Pemas ruling that Haw Par must bid for the outstanding minority in London Tin.

It is understood that the initiative to bring in Guinness Mahon came from Haw Par's recently appointed chairman, Sir Donald Stewart, a former lawyer whose firm, Allen & Gledhill, has links with Guinness Mahon.

The merchant bank's brief is to do an overall review of Haw Par's assets, including visits to the Singapore authorities, in the wake of the departure of two key executives, Mr Ogilvy Watson, former managing director, and Mr Ian Temblay, his deputy, as well as that of Mr James Campbell, former non-executive chairman, in July.

Cartel proposed by 16 German cable companies

Berlin, Sept. 1.—West Germany's Federal Cartel Office announced today that 16 German cable companies have applied for authorization to form a cartel.

A spokesman said the companies, which include AEG-Telefunken Kabelwerke AG, Siemens AG, Felten und Guilleaume Carlswerk AG and Kabel und Metallwerke Gutehoffnungshütte AG, wanted to

Evacuation will not affect gas production as all the installations can be remotely controlled for a limited period. Tougher regulations for offshore installations are being introduced.

The Department of Energy said yesterday that licences had been granted to 65 of the 74 installations in United Kingdom waters but only 24 had received full certificates. Forty-one had been given licences provided they undertook to carry out new surveys and make improvements where necessary.

Nine installations had been exempted temporarily

The Times index : 136.22 -0.88
The FT index : 323.4 -4.2

THE POUND

	Bank buy	Bank sell
Australia S	1.70	1.64
Austria Sch	39.50	37.50
Belgium Fr	85.00	82.25
Canada S	2.22	2.17
Denmark Kr	12.90	12.50
Finland Mk	8.15	7.90
France Fr	9.50	9.20
Germany DM	5.60	5.40
Greece Dr	69.72	67.50
Hong Kong S	10.65	10.45
Italy Lit	1810.00	1460.00
Japan Yu	659.00	635.00
Netherlands Gld	5.70	5.50
Norway Kr	11.95	11.60
Portugal Esc	56.50	54.50
S Africa R	1.80	1.70
Spain Pes	125.75	120.75
Sweden Kr	9.45	9.15
Switzerland Fr	5.80	5.60
US \$	2.15	2.10
Yugoslavia Dnr	39.75	37.75

Rates for small denomination bank notes only as supplied by wire to London. Different rates apply to travellers' cheques and other foreign currency business.

Electrocomponents	17
HAT Group	18
Marling Industries	18
David S. Smith (Holdings)	18
Redemption Notice:	18
Esso Overseas Finance NV	16

The accounts and notes show that we added £679,669 to plant and equipment during the year under review and had authorised further expenditure of some £480,000. This shows substantial progress with our programme of factory reorganisation and installation of new machine tools, which has already improved our capabilities.

I wish to pay tribute and, on behalf of the Directors, to say thank you to all of our employees who, in their several ways as individuals and in playing their part in the team, have worked hard and enthusiastically to carry on our business in often difficult circumstances.

Copies of the full Report and Accounts may be obtained from
the Secretary, Peter Brotherhood Limited,
Lincoln Road, Peterborough PE4 6AB.

IATA talks aimed at 5pc fares increase

By Arthur Reed

Scheduled airlines from throughout the world begin a series of meetings in Geneva today which could lead to further rises in air fares from the spring of next year.

The first areas to be discussed will be Europe, the Middle East and Africa. Early in October, the meeting will move to Nice, where transatlantic and trans-Pacific fares will be discussed.

Late in October and early in November, the remaining areas of the world will come under discussion in Cannes.

The International Air Transport Association (IATA), under whose auspices the meetings are being held, hopes that the talks will be completed by mid-November. Fares increases are likely to average about 5 per cent, according to industry sources yesterday.

Many airlines would like higher increases to cover the inflationary costs which they are having to meet, but are conscious that the public will refuse to travel if the fares go up too much.

This annual IATA fares conference, which aims to establish tariffs for at least 12 months from April 1, 1976, will be used as a forum to discuss two related issues which are now causing controversy within the industry.

These are what fares are to be charged by British Airways and Air France for travel by the super-jet Concorde when they bring it into service on January 1, and how much commission should be paid by airlines to travel agents on sales of tickets.

BA and Air France have told the IATA that they want Concorde fares to be the first-class rate, plus 10 per cent.

But other major airlines, frightened that Concorde travel at this rate will steal their lucrative first-class traffic from sub-jet, are proposing a premium of 25 per cent.

Japanese fear UK car curbs

Tokyo, Sept. 1.—Toyota and Nissan are being cautious about car exports to Britain next year. And they fear that import curbs will be introduced by Britain.

Nissan, which wants to avoid any "unnecessary conflict" with British car makers, does not expect its sales in Britain this year to exceed last year's 65,000 units, including trucks, a spokesman said.

A Toyota spokesman said it now looks unlikely that its British distributors will realize the target sales increase this year of about 50 per cent from 1974's 17,882 units.—Reuters.

World Bank chief stresses need for more aid to developing nations

From Frank Vogl
Washington, Sept. 1

Mr Robert McNamara, President of the World Bank, made a passionate appeal today to industrial countries in particular to increase greatly the volume of concessional aid to developing countries. Many of the world's poorest countries faced a critical situation, he said.

In an opening speech to the annual meeting of the World Bank, Mr McNamara said: "The developing nations are confronting a foreign exchange crisis."

"It is a crisis compounded of all the turbulent economic events of the past two or three years, and the cumulative effect will be to bring the economic progress of many of these nations virtually to a halt unless corrective action is taken."

Progress had been made in the bank's campaign to aid the 700 million rural poor of the world, but the degree of deprivation under which these people live remained "so extreme as to be an insult to human dignity".

Auditors query overmanning costs of yard

By Our Industrial Correspondent

Strong qualifications have been attached to the accounts of Sunderland Shipbuilders, the company acquired last year by the Government for £16m in an attempt to solve the problems of Court Line.

Sunderland Shipbuilders made a loss in the financial year to the end of September, 1974, of nearly £6.5m. In their report, the auditors, accountants Thompson McLintock and Co., stated that they had been unable to satisfy themselves that the estimated cost of relocation and overmanning during the year, at £1.8m, and the resultant loss on work carried out, at £1.94m, were fairly stated.

Referring to the estimates of future losses, the auditors recorded a further reservation. In September, 1973, loss expectations made by the company on the order book amounted to £2.25m, but last year the company was obliged to make a further provision of £2.57m.

The auditors said: "It is not possible for us to form an opinion whether the assumptions made by the directors regarding these factors for the purpose of computing the provisions for future losses will eventually be found to be valid."

At the end of last week, senior executives of the company travelled to London for talks with representatives of owners who have ships on order with the group.

It seems that the discussions would have centred on the shipowner customers either agreeing to pay more for their ships, or advancing their instalment payments on the vessels which they have on order.

The extent and form of Government support is likely to be critical to the company although owners may be satisfied with the Department of Industry guaranteeing completion of the ships which they have on order.

Drydock, which employs 1,200 workers in yards at Humber and Beverley, has established a strong position in the construction of vessels for the offshore oil development programme.

The company was guarded yesterday about the situation, which company executives attribute privately to government policies, the threat of the company being nationalised, and to the effects of inflation on contracts taken two or more years ago.

Last night, Mr George Mountbatten, secretary of the local branch of the Boatmakers' Society, said they intended to seek talks with the management. Ronald Kershaw writes: Efforts were being made last night to arrange a meeting between union officials and the management of Swan Hunter Shipbuilders in an effort to end a seven-week strike at the company's six Tyne-side shipyards.

About 5,000 outfitting trades and ancillary workers are in dispute with the company over rates of pay, and another 5,000 workers have been laid off. Shop stewards representing the strikers have decided to press the company for a "declaration of intent" which promises to give outfitting trades and ancillary workers parity in pay increases with those of the skilled

The bank was ready to start a more comprehensive effort to assist governments to reduce urban poverty.

Mr McNamara said essential steps which governments should consider in any comprehensive programme were to increase general earning opportunities; create more jobs in the modern business sector; provide equitable access to public utilities and transportation, education and health services; and set up realistic housing policies.

He said that, given a swift rise in the health of economies in industrial countries, it was probable that net official capital and private capital flows to the oil importing developing countries to the end of this decade would be an annual average of only \$49,400m (about £23,500m) which would see gross domestic product annual growth of just 1.2 per cent and 2.8 per cent respectively in the low-income and middle-income non-oil producing countries.

To achieve annual growth rates to 1980 of 3.2 per cent and 3.8 per cent respectively for the non-oil production low-income and middle-income countries, it would be necessary for capital flows to rise to an annual rate of \$61,700m.

Mr McNamara stressed that if these capital flows were to grow, most of the growth must come from the developed industrial countries, which were in the strongest position to aid the developing countries. He added: "It is essential that the developed nations reexamine their concessional aid programmes."

In keeping with recent World Bank policies, there was barely any criticism of the Organization of Petroleum Exporting Countries. There was hardly a reference to the fact that the huge financial difficulties of many developing countries, not to mention industrial countries, had been vastly increased because of Opec actions in the last two years.

There was no reference to the fact that a very high proportion of Opec's concessional aid goes towards expenditure on arms for Arab countries.

Instead, Mr McNamara made excuses for Opec, noting that it was unlikely to be able to maintain the aid level seen this year.

Humberside shipbuilders seeking government help

By Peter Hill

Government financial help is being sought by the financially troubled Drydock Group, which operates three shipyards on Humberside. Crucial talks, which it is hoped will resolve the company's problems, are due to take place in London almost immediately.

Yesterday local union officials said they would be seeking an early meeting with the company's management to clarify the group's position. News of the financial problems had come as a surprise.

Last night the Department of Industry would not disclose the extent of its involvement in the company's affairs. But it is understood that Drydock has asked the Government for support of more than £2m, and it seems almost certain that departmental officials will attend this week's talks.

At the end of last week, senior executives of the company travelled to London for talks with representatives of owners who have ships on order with the group.

It seems that the discussions would have centred on the shipowner customers either agreeing to pay more for their ships, or advancing their instalment payments on the vessels which they have on order.

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Saudi oil takeover talks behind schedule

Talks aimed at settling the details of Saudi Arabia's 100 per cent takeover of American oil interests in the country by the first week in September are now well behind schedule, and a final conclusion is not expected before the next meeting of the Organization of Petroleum Exporting Countries in Vienna on September 24.

Executives from the four American companies involved in the Aramco consortium—Exxon, Texaco, Standard Oil of California, and Mobil—have been in intermittent talks with Saudi team led by Shaikh Ahmed Zaki Yamani, the Oil Minister.

According to consortium sources the talks have got behind schedule because Shaikh Yamani has been tied up with other government business, and the delay did not indicate any new disagreement.

£500,000 contract for forest in Abu Dhabi

More than 500 acres of desert in Abu Dhabi is to be turned into a small forest by a company from Blackdown, near Kidderminster, Worcestershire. Blackdown Landscapes (Overseas) has been awarded a £500,000 contract to plant 40,000 trees, enclose them with a 12-mile long fence to keep out wandering goats and camels, and also to drill a number of deep wells that will keep each tree fed with five gallons of water a day.

Work at Alfa Romeo

About 5,000 workers yesterday defied plans by state-owned Alfa Romeo SPA to lay them off until September 5, and showed up for work at two plants near Milan. The company said it could not be responsible for any accidents at the plants.

550 go on short time

About 550 hourly paid employees at the working at the Plessey capacitor factory, Bedgeham, West Lothian. The factory has a total labour force of about 1,000. A company spokesman said yesterday that a four-day week is to be introduced.

Argentina's debt hope

Lenor Anzalone Caffera, Argentina's Economics Minister, is hoping his trip to Washington to attend the International Monetary Fund government meeting will result in renegotiation of his country's foreign debt of \$9,864m. Economic sources say his strategy will be to work out an acceptable domestic programme with the IMF and then go directly to the creditors.

Business appointments

Associate directors for Hanson

Mr M. G. Taylor and Mr A. G. L. Alexander have become associate directors of Hanson Trust. Mr H. C. Harrison has been made deputy chairman of Eagle Engineering. He will combine this appointment with his existing role of chief executive.

Mr E. Clouston has resigned from and Mr R. Franklin has joined the board of Anglo-Continental Investment and Finance.

Mr D. J. Towns has been appointed a director of Western Mercury Corporation.

Mr Pierre Moussu, managing director of Banque de Paris et des Pays-Bas, Paris, has been elected to the board of Mercury Securities.

Sir Brian Mountain has resigned from the board of United Dominions Trust after 46 years as a director. His place will be taken by Mr A. R. N. Ratcliffe, chief general manager of Eagle Star Insurance. Mr T. C. Standeven has also resigned from the board.

Mr James Gault has become president of R. Claxson (International), with Mr Kenneth Cooper as chairman and Mr John Cooper as managing director. Mr C. B. Mackenzie and Mr C. E. Godbold have joined the board.

Mr Michael Kettell has joined the board of Peachey Property Corporation as executive finance director.

Mr D. Olman has resigned from the board and chairmanship of Liden (Holdings) Ltd and its subsidiaries and is succeeded by Mr C. N. Martin, the vice-chairman.

Mr J. O. Hambro has resigned from the board of First National Finance Corporation.

Dr William Darlington has been named a member of the Export Guarantees Advisory Council.

Sir Robin Chichester-Clark has joined the board of Alfred Booth.

Mr Alan Crawshaw Brown, previously sales director, has been additionally appointed vice-chairman of Winsor & Newton. Mr Graham Giles has resigned.

Mr G. Gilbert has joined the board of Simpson (Piccadilly) as managing director.

Mr B. H. Picot has been named a director of South British Insurance.

Professor R. S. Silver has joined the boards of West Westgate and West Heat Exchange.

Mr Edward Clouston has been elected chairman and managing director of Brands (Insurance) Holdings to succeed Mr R. N. Edwards. Mr Edwards continues as a director.

Mr M. Mackenzie has resigned from the board of Agor Croes. Mr S. C. Tutton, Mr D. F. Parker and Mr P. G. Gollop have joined the board.

Mr W. R. L. Cresswell has been appointed a director of Bossey & Hawkes.

Mr Christopher Burnley has been named financial director of the British Airports Authority. The appointment follows the retirement of the financial controller, Mr Keith McLeod, in March.

Mr Tony Bright has been appointed director of Tomkinson's (Holdings).

Mr R. Wake has become deputy chairman of Cammell (Holdings). Mr P. M. Dillon becomes financial director and Mr J. Witter director with responsibility for the industrial contracting companies.

LETTERS TO THE EDITOR

Exporters' case for greater Government contribution towards inflation cover

From Cdr J. A. Hamer

Sir, I was most interested to read your column last Friday on Sir William Mather's castigation of the partial inflation cover presently offered by Government for exporters.

This association, and Sir William's company is a member, has for over two years now been pressing for adequate cover for capital goods exports; indeed, we were one of the instigators of the moves which resulted in getting any scheme. We have, however, failed so far in our efforts to get a thorough review of the current scheme.

What is needed is an open-ended top limit, with a starting threshold to be agreed at a level which could be absorbed by industry, and which could vary depending upon the type and size of contract. The need being to allow the contractor or manufacturer to be able to quote a fixed price and pass similar conditions to his subcontractors.

In the coming 18 months Britain is going to rely more and more upon exports to balance her economy, and the Government must share the problems with industry until inflation is beaten.

So far the Government has answered that there is no need for an open-ended scheme because they believe that their actions will reduce inflation to 10 per cent or less by mid-1976. Surely, if they really believe this, they could back their words by action, provide an open-ended scheme, show their faith in their ability to restrain inflation and have nothing to lose.

We believe that the inability to vote fixed prices may leave the United Kingdom anything up to £1,000m this year. Yours faithfully, John Hamer, Director, Process Plant Association, 197 Knighbridge, London, SW7.

From Mr V. B. English

Sir, Once again the matter of this upper limit to ECGD's inflation cover has emerged as an obstacle to exports (August 29: "Group says ECGD curb lost orders worth £11m").

Yours sincerely, V. B. ENGLISH, 8 Dames Court, St Edmund's Terrace, London, NW8.

Another query over problem of telephone code books

From Mr Mark Stone

Sir, Since you printed my letter on August 13 complaining that as a one-man organisation I had received 19 copies of the Telephone Code Books, I have had 13 telephone calls and two letters from people asking if I can let them have one of the Code Books as they were "making do" with old ones issued in 1971 and 1972.

You have also printed a letter this morning (August 19) from Mr K. Ford, Director, London Telecommunications Region answering mine. The substance of his letter, to remind your readers, is that "where we supply more than one copy of the booklet to an individual customer we enclose a pre-paid reply card asking him to let us know if the number does not correctly meet his needs."

Mr Ford also mentions a switchboard in the building and said that the switchboard had ordered a lot of these Code Books "and it is likely that some of these were passed on to other occupants, including Mr Stone."

I have ascertained from the Post Office that whether one or a thousand books are delivered, only one pre-paid reply card is left.

Perhaps Mr Ford could tell me why there were three cards with my Code Books? All of which were returned saying I wanted no more books.

MARK STONE, 13 Esher Avenue, Walton on Thames, Surrey

The case you report is typical of the dilemma facing exporters. Even if the "too high" price which Mather and Platt had been forced to quote had been acceptable to the client, they would still have had to face the risk of considerable losses if the effects of cost inflation were greater than the gains which they will have made.

For the rate of cost inflation can only be a guess on the exporter's part, and if in the case of a substantial contract that guess is only, say, a 10 per cent underestimate, a company's entire profit expectation for a year can be in jeopardy.

What is needed in this sort of case is not an export subsidy, not protection against the natural risks of a business, but insurance against what is incalculable and uncontrollable by the exporter.

If the Government, via ECGD, were to introduce insurance against inflation above a certain base figure—say 20 per cent—the exporter would know his responsibilities for cost escalation up to 20 per cent and could incorporate whatever provisions he thought necessary.

If the Government is successful in its efforts to control inflation above selected base figures (and it alone has the power), it has the prospect of collecting all the insurance premium, without paying out a penny.

The Government's resistance to such a scheme (The Times, July 7) demonstrated that what little confidence it had in its efforts. Now that there seems to be some sort of consensus of success in controlling inflation so poorly that it is unwilling to take up such an attractive proposition?

Yours sincerely, V. B. ENGLISH, 8 Dames Court, St Edmund's Terrace, London, NW8.

From Professor K. Sir, Correspondent

managing seem to size the effect: output of modern Four hands on wheel of a car, or steering and accelerator oblige poor car performance poor output and if modern operated by too many and this may be more than any increase costs due to over-reliance on the controls (e.g. to operate a recorder, recalls correspondence of then no decrease in output the high cost employed machine).

Morale depends on having proper their work. When a machine, and argues with their p in can be little pride or in the perform machine.

Thus the evil of is that equipment and pride in work. So it seems absurd investment in industries, or direct overmanning by but we should reduce by developing gas ment opportunities which requires red investment. And invest in equip that where overmanning was.

Yours sincerely, KENNETH SHONE, Marley Cottage, Woodwood Close, East Horsley, Leatherhead, Surrey

NOTICE OF REDEMPTION

To the Holders of

Esso Overseas Finance N.V.

9% Guaranteed Debentures Due 1985

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated September 15, 1970 providing for the above Debentures, said Debentures aggregating £100 principal amount bearing the following serial numbers have been selected for redemption on September 15, 1975, through operation of the Sinking Fund, at the redemption price of 100% of the principal amount thereof, together with accrued interest to said date:

DEBENTURES OF \$1,000 EACH

100	101	102	103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120	121	122	123	124	125	126	127	128	129	130	131	132	133	134	135	136	137	138	139	140	141	142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160	161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200	201	202	203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240	241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300	301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320	321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340	341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360	361	362	363	364	365	366	367	368	369	370	371	372	
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BY THE FINANCIAL EDITOR

Gold is jolted by the IMF



Mr. Donald Regan, chairman of the International Monetary Fund (IMF), plans to take business outside the NYSE floor.

nervous start the gold market yesterday registered a drop of \$4 to \$155.40. The drop was the result of the IMF's decision to gradually reduce its gold holdings as a means of financing the world's monetary system.

The IMF's decision to reduce its gold holdings was a blow to the gold market, which had been buoyed by the IMF's decision to increase its gold holdings in 1974. The IMF's decision to reduce its gold holdings was a blow to the gold market, which had been buoyed by the IMF's decision to increase its gold holdings in 1974.

Street verberations in Mayday

In this year, when every Wall Street trader is waiting for Mayday and the first of the year's big moves, the market is in a state of high tension. The market is in a state of high tension. The market is in a state of high tension.

from its own inventories of securities or by dealing directly with other brokers. In short, upstair trading. What seems to have happened is this. Rule 394 was surely doomed anyway. Anti-trust authorities have already shown interest in it. It can artificially keep commission charges to small investors up, and the Securities and Exchange Commission is conducting a searching inquiry into the usefulness of the rule. The argument, though, might have dragged on for years but for the introduction of negotiated commissions on May 1 this year.

Apart from anything else, this means that non-NYSE members could begin dealing competitively on the NYSE. Until May 1 a Midwest Exchange broker for instance could take his trade on a NYSE member and the commission would be shared 60/40 in favour of the NYSE member.

Haw Par/London Tin Nationalistic lessons

Tunku Ranehlah, the chairman of Pemas and chief architect of the policy of Malaysianization who appears to have stubbed his toe on the Takeover Panel over the Haw Par/London Tin affair, swept in and out of London last week leaving shareholders in a state of confusion. He is a man of many parts. He is a man of many parts.

and Lockheed with substantial Malaysian interests have been banded around as prospective marriage partners for Pemas in place of Haw Par.

In spite of what appears to be mounting impotence on the part of the Malaysian authorities (evidently inspired by the electorate) at the slow pace of progress in securing indigenous control over their natural resource industries, there is every sign (Pemas apart) that they have eschewed strong arm methods in favour of dealing through the normal commercial channels (hence the rather naive purchase last May of Pemas's 20 per cent holding in London Tin).

There is also the point made forcibly in connection with London Tin, that Malaysia needs to maintain the existing operational managements. It is unlikely that any further forays by Pemas (or any other of the increasingly nationalistic commodity producers) onto the United Kingdom investment scene will produce the sort of intractable problems that have engulfed London Tin. Apart from the obvious added feature of aggression between Singapore and Malaysia, London Tin's structure, similar to that of an investment trust in that the holding company heads up a clutch of operational associate companies with cross-holdings, means that it has problems of capital gains tax on change of domicile that largely bypass big companies such as Kulkim.

But, less obviously, nationalistic aspirations could get in the way of each other. It will be interesting, for example, to see what the Nigerian Government makes of whatever plans eventually emerge to deal with the Pemas stake in London Tin, bearing in mind the mining interests that LT still have in that country.

Robert M. Douglas Workload slackens

Despite some slowing down in the second half, profits at Robert M. Douglas came out just under 12 per cent ahead last year, which probably justifies the interim forecast of a "satisfactory outcome". The shares rose 3p to 55p. Turnover so far this year has been higher than in the corresponding period of last year though the total volume of work in hand is lower. This shortfall is apparently affecting the plant hire and ready mixed concrete subsidiaries most. As for the work on the National Exhibition Centre will occupy a substantial area of group resources through to the end of 1975, and ancillary works will probably run somewhat beyond that. Motorway division, accounting for about a quarter of group turnover, also remains fairly well loaded with work on the M42 and others. Fixed price contracts have provided problems here but they are apparently still profitable. The mood over workload in other divisions seems to be one of "so far so good" only. Against this, a good first half contribution can be expected from the Australian companies whose year ends three months later than the other companies, and liquidity is improved generally throughout the group.

With cement and other material prices still rising the question is how far margins can be held on possibly declining turnover this year. However, at 56p the shares have fair support from a yield of 8.7 per cent and the historic p/e ratio of 3.7 is not demanding. Final: 1974-75 (1973-74) Capitalization £4.51m Pre-tax profits £2.66m (£2.38m) Earnings per share 15.1p Dividend gross 4.85p (4.41p)

Whatever may be the detailed details of the scheme put forward by Mr. Jack Jones to set up a £2,000m fund for investment in industry, few would now disagree that the problem of getting the capital reequipped of the manufacturing sector under way is the most important medium-term task facing the economic policy-makers.

A whole range of ideas on this question are now floating about. There is the original Labour Party proposal, which sees the task as being done by the National Enterprise Board backed up by other government aid; and the Chancellor, acting partly on the suggestion of Mr. Harold Lever, has encouraged the setting up of the new, enlarged, Finance for Industry as a source of funds for companies seeking expansion and has eased the tax burden of companies by changing the rules on stock appreciation.

In the City there is growing interest in the idea that some new institution should come forward (the "Benson bank", perhaps) to meet industry's needs. But there are two problems which the latest ideas, formulated at the Trades Union Research Unit at Ruskin College, Oxford, are designed to tackle. There is the low overall level of investment, which has been the despair of politicians for the last 15 years and which clearly has played a large role in holding down the productivity of Britain's factories, and there is the problem of the extremely cyclical nature of investment.

The United Kingdom is not alone in this problem, though

industrialists here tend to wait longer into a boom before they actually commission new plant than do their continental rivals. But the fact that capital investment falls very rapidly at the same time as private consumption, thus leading to severe capacity shortages, is a world-wide phenomenon.

An "investment fund", as in the present proposals, into which companies would pay money which would earn no interest until it was withdrawn at a later date to build new equipment, has been in operation in Sweden for 30 years and more. There, as in the United Kingdom at the moment, the driving force in the minds of its originators was the need to grapple with the problem of a depression more severe than the prevailing economic views seemed able to cope with.

The idea behind the scheme is that during years of high production and high profits, companies should pay into a fund, held, according to the British proposals, by the Bank of England.

In the Swedish model, the money is paid in voluntarily by the company, which thus avoids paying corporation tax. The original version of the scheme, as proposed by Mr. John Hughes of Ruskin College, the money would go in automatically, either through corporation tax or through depreciation allowances. The scheme would allow companies to spend their holding in the fund on new investment projects.

The first occasion this was done in the postwar period was in 1958, but bad timing meant

that many of the schemes were only just getting under way in 1960 when the economy moved into a boom. The rules were tightened greatly in 1962 and there are now severe restrictions which call for approved projects to be selected quickly.

The funds were released in 1962 and again in 1967, and on both occasions Sweden's National Institute of Economic Research reports that the system worked well. Employment and investment received a fillip when they needed it and the investment fund is thought to have helped to pull the country out of depression.

Against this it could be argued that there is no need to introduce all the paraphernalia of such a scheme if all that is desired is to have a tool to regulate the economy. There are ample levers to hand to boost demand at the moment, it could be argued, and one more would make little difference.

According to this view, the real reason the Chancellor cannot act to curb unemployment is not that he lacks the means but that he cannot afford the will until some progress has been made in bringing down inflation.

This comes right back to the heart of the problem about timing the introduction of any scheme such as that proposed by Mr. Hughes. If it is paid for out of company profits, then it is hard to see how companies can afford to pay money into any fund for capital expenditure until they have had at least some years of good results.

If the money is to come out of tax reduction, on the other

hand, then it involves general reflation and is subject to all the criticisms which can be made of that policy.

The weakness in this argument, as the record of the last boom period points out, is that it is increasingly possible to have a boom which generates very little extra investment at all because of the way it develops.

At the beginning of the expansionary period industry does not think it will last and is hesitant about investing. As the expansion gets under way profits begin to soar as capacity becomes fully utilized and, if the last cycle is anything to go by, there are large profits to be made from investing these profits in property or financial markets rather than in new plant.

There is then a worldwide shortage of capital goods, which means that very little reequipping can be done, so that new investment schemes there are postponed until supplies are easier; when the inevitable downturn comes many projects are cancelled as companies are forced to renege to cope with their liquidity problems.

Of course, that is an unfair description of the investment pattern of many companies who are constantly reequipping their plant and factories to keep up with the competition. The question is whether it is true of enough companies to make something aimed at smoothing the investment flow worth giving serious consideration.

David Blake

How the boom in profits could embarrass Germany's banks

Peter Norman

While Germany is languishing in its worst recession since the second world war, the country's big banks seem to be turning in record profits this year.

Not that one would gain this impression from the latest half-yearly reports published by the big banks. Deutsche Bank, Germany's largest private bank, spoke of a 3.3 per cent increase in operating profit in the first half while Commerzbank, the second largest, reported a 10 per cent increase in its first half earnings as "satisfactory". Only the Dresdner Bank said that operating profit rose significantly in the first six months of this year.

The main reason for this modesty is that the banks' yardstick for comparison is not the first six months of 1974, but last year's result divided by two.

Compared with the first six months of last year, the three banks' operating profit before tax and extraordinary items such as valuation adjustments, showed gains that could be described as good to excellent.

Deutsche Bank's first half operating profit, which does not include profits from business carried out on the bank's own account, rose by 49 per cent to DM257m compared with the same period of 1974. At Commerzbank the rate of profit increase was 70 per cent to just under DM200m while Dresdner Bank excelled with a jump of 128 per cent to DM238m.

Admittedly, the first half of 1974 was a difficult time for Germany's banks. At that time the Bundesbank was maintaining its high interest rate policy to combat inflation and this naturally squeezed margins.

Since last summer, however, the banking climate has improved, as the growing recession has caused the Bundesbank to switch to a low interest rate policy. Bank rates, for example, have been clipped progressively from the 7 per cent rate of last October to 4 per cent, while the important Lombard rate at which banks can borrow from the Bundesbank against col-

lateral has been reduced by four full points to 5 per cent.

As a result, the commercial banks have been able to expand the margin between interest paid and interest received while reducing their lending rates.

This has tended to show through in the half figures. Taking the banks' own comparative method, Dresdner Bank and Commerzbank increased their net interest income in the first half by 20 per cent and 11.7 per cent respectively against last year's result.

Only Deutsche Bank, which has tended to lead the pack in pushing lending rates lower, did not net interest income stay virtually unchanged.

This satisfactory profit trend from traditional banking business has been accompanied by a rise in income from commission and services. Added by a steady upward movement in stock exchange prices, and backed by a record rate of new issues on the domestic market for mixed interest securities, the "Big Three" raised net commission income by between 10 and 19 per cent in the first half of this year.

There are of course several unforeseeable factors which may cause the Deutsche Bank's record earnings impossible. One is how far "other earnings" will boost or reduce the banks' profits. Other earnings include profits from dealings carried out on the bank's own account and are not usually weighed up until the end of the year.

However, if Commerzbank is any guide they have been running at a high level so far this year. Its interim report spoke of "substantial" profits from its own dealing in securities.

A unknown is how much the banks will have to write off the value of their security hold-

ings and lending business. Despite a slight downwards trend over the past few weeks the German stock markets are still showing a good gain on the beginning of the year.

The bond market is less certain at present, suffering as it is from prolonged bouts of indigestion, but here the Bundesbank is pledged to prevent a renewed upsurge in capital market interest rates.

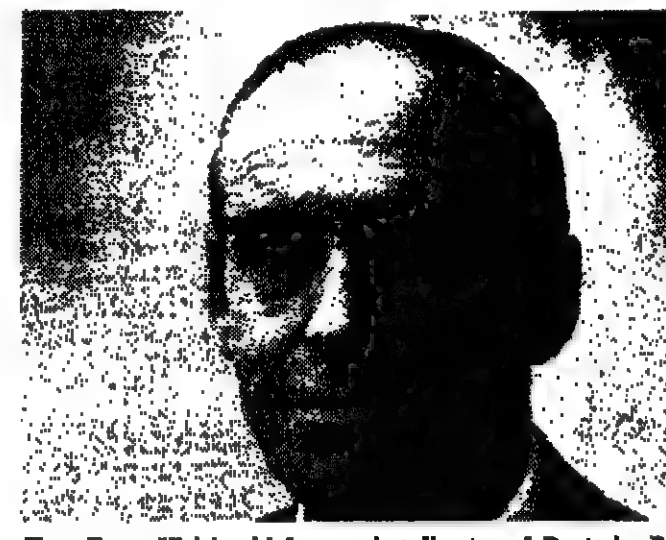
Least certain are the risks on lending business. Bankruptcies were up by more than a quarter in the first half of this year and, as the recession continues and winter approaches, are likely to rise further in the next six months.

But should the forecasts be right and 1975 turn out to be a record banking year, this is likely to prove a mixed blessing for the industry's managers. Criticism of the banks is never far below the surface and next year against the likely background of a continuing recession public could again become a public issue.

Since the beginning of this year a special commission has been looking into the workings of Germany's banks on behalf of the Federal Government. It has been ordered to take a close look at the questions of the "universal" banking system, the banks' industrial holdings and their exercise of voting rights on behalf of customers at annual meetings.

These three issues—summed up usually under the headline of "the power of the banks"—are the perennial targets for critics. The universal banking system, in bringing all kinds of business under one roof, naturally provokes charges of too great a concentration of economic power.

In no sector of banking busi-



Herr Franz Ubrich, chief managing director of Deutsche Bank, against the background of criticism that too much economic power is concentrated in the hands of Deutsche Bank has led others in a general move to reduce industrial holdings.

ness are the accusations louder than in the case of the banks' industrial holdings and their use of small shareholders' voting rights.

Although Germany's banks own only about 7 per cent of the capital of the companies listed on the stock exchanges, they administer almost half their nominal capital on behalf of small shareholders. As most small shareholders entrust their banks with their voting rights, the banks can often exercise virtually total control at annual meetings.

To be fair to the banks, they do claim that exercising shareholders' voting rights is a duty thrust on them and they are left with no alternative.

Also led by Deutsche Bank, they have adopted a general policy of reducing their industrial holdings. That this is necessarily a slow process, however, large share packages cannot be simply dumped on the market, as shown by Deutsche Bank's protracted efforts to place the 29 per cent stake in Daimler-Benz AG which it bought at

the beginning of the year from the Flick family group to prevent its passing into the hands of the Shah of Iran.

Thanks partly to such rearguard action, Germany's private banks need not, it seems, fear any attacks from the present government in Bonn. Cries for their nationalization will go unheeded so long as Helmut Schmidt is Chancellor and the Social Democrats depend on the Free Democrats to form a coalition government.

Also, since the Bundesbank began to reduce interest rates, the private banks have pursued an astute policy which can only have improved their standing with Bonn.

It has been the private banks rather than the public sector saving banks and Girozentralen that have been first to push down their lending rates in accordance with the Government's reflationary policy.

Presumably they will not be slow to remind the authorities in Frankfurt and Bonn of this should criticism over their power and influence revive.

Business Diary: Stone's throes • Stone's circle...

Stone, an Englishman management consultant as prospered with the all Crow Company of Texas, this past five years has moved into 2,000 sq ft or so office in Queen Anne's Way.

Tony Crookland, Secretary for the Environment last month found himself in a bit of a bind. He was trying to get the Tramlink project at Surrey Docks by refusing demands for an he has been coping weaker of detail in the plans, which still get full planning permission.

It get the idea we're for a place West End out. Stone said he was however for consulting this architect—Renton, Wood, Levine. "All we get a lot of input at people in Dallas, it's sensible to get local on the job to get it just he said.

Another six million square feet, providing an impressive shop window and trading centre for leading British industries, is planned for completion by 1986 or the year after.

"Economic gloom and doom hasn't put us off at all. Britain badly needs such selling facilities," Stone said. But Tramlink Crow are widely not even trying to cover the second phase for the time being, and do not expect to start talking with hotel men for some time about three hotels, of 500 bedrooms each, which are in the eventual scheme.

The next major step will be letting the first construction contracts. In the running are Leding, McAlpine, Costain and Bovis.

The ginger, an essential ingredient for red wine, with raisins and other dried fruit comes from Jamaica where the recipe was first formulated. Guy Gordon Clark, a director of the Finsbury Distillery Company, the makers of Stone's, has just come from Kingston, Jamaica, where he had been launching a full scale sales drive after the opening of a plant to manufacture the wine under licence there.



Hollowood "I'm emigrating now, but as soon as they've got the economy right I shall immigrate."

Ginger wine is apparently popular in the West Indies, where it is mixed with white rum or drunk on its own. The area was one of the main export markets for Stone's until import controls imposed about three years ago pushed the price to an unacceptable level.

The high price caused sales to fall from an annual total of about 30,000 cases of 12 bottles to about 2,000. The new manufacturing plant set up to Matthew Clark's specification by Wray & Nephew, a Jamaican rum distilling company, has made it possible for the price to be

first hand from former colleagues. But other than admitting that the Ryder solution—particularly the dominant role given to a monolithic group—is still far too unwieldy, Turnbull declines to outline the proposals he suggested to Lord Ryder.

He told a colleague who is just back from Seoul "It's all water under the bridge now. The new bosses here their work cut out and I don't want to add to their troubles by spelling out yet another way of reorganising the old outfit."

Turnbull quit after a disagreement with Lord Stokes and John Barber, then chairman and deputy chairman respectively. It might therefore be expected to crow a little over their summary replacement by Ryder. In fact, he said: "I feel very sorry for both of them."

"On the other hand, I should be less than honest if I did not admit that in my view they had made major mistakes which left them very vulnerable."

Seoul parallel

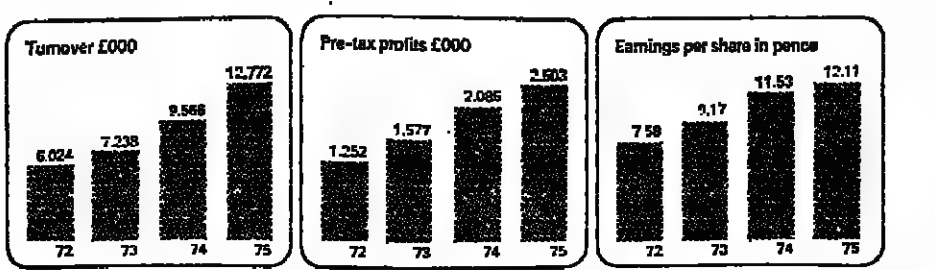
From his far-flung outpost in South Korea George Turnbull, the former managing director of British Leyland, is keeping a watchful eye on the post-Ryder reorganization of his old company. And he makes no secret of his unhappiness with what he reads in United Kingdom newspapers, and—much more to the point—hears at

electrocomponents limited

"Our aim remains the continued development of the Group"

— R A Marler, Chairman

- * The year to 31st March 1975 has again been one of expansion, with coverage of the electronics market widening still further. Turnover at £12.8 million and pre-tax profit of £2.5 million set new records.
- * R.S. Components despatched nearly 900,000 orders during the year. The new Birmingham Distribution Centre has proved a resounding success.
- * Electroplan's progress is most satisfactory.
- * Doram commenced trading in September 1974 and quickly gained a reputation with amateur constructors for its "by return" service of quality products.
- * Radio Resistor remains profitable but its full turnover and profit potential has yet to be achieved.
- * Turnover of Reading Windings has been adversely affected by the present economic downturn in the U.K. Its reputation for high quality products continues.
- * Board and management are all full time executives, able to make decisions promptly with the backing of a loyal and competent staff. Relations with customers and suppliers have never been better. Although the current economic situation is uncertain, our aim remains the continued development of the Group.



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r face (BBC1 9.55). Later you can catch the preter dactyl fly (ITV 10.30),
a classics cast Peter Ustinov as Nero (ITV 7.0) and Orson Welles as Mr
ster (BBC2 9.0). The Middle East in human terms starts a late-night series
1.30). Boss Cat (BBC1 4.50) and Hector's House (BBC1 5.40) offer all-age
ts.—L.B.

BBC 2
6.40 am. Open University: Tol
story. 7.05. News. 7.30-7.55.
Rolling News. 11.00-11.15. News.
Play School. 4.30 pm. Cricket:
Fourth Test. 6.15 pm. Open Univer
sity. 7.05. News. 7.30-7.55.
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7.30. Newsday. 7.45.
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